



Project: Assessing the impact of IFRS implementation on the regulatory framework

Time: Tuesday, 29 July, 2008, 10:00 am

Location: Albanian Association of Banks

Second Working Group Meeting

AGENDA

1. Project Activity Brief
 - Presentation of the Note on European Experience sent to NAC
 - Presentation of the Official interpretation of the MoF decree by NAC
2. Banking Survey Report Presentation (Discussion and Approval)
3. Discussion on:
 - Identification of Problems encountered in the individual Banking Regulations as a result to IFRS implementation.
 - Other topics (Banking Manual, Banking Capital)
4. Conclusions and distribution of tasks
5. Closing Remarks

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Material

mbi

Ekspierencën Evropiane në zbatimin e Standardeve Ndërkombëtare të Raportimit Financiar.

Sipas një vendimi të muajit maj të Ministrisë së Financave, Shqipëria do të fillojë zbatimin e Standardeve Ndërkombëtare të Raportimit Financiar (SNRF) në vitin 2008. Konvergimi drejt standardeve ndërkombëtare do të sjellë shumë përfitime në drejtim të transparencës dhe rritjes së krahasueshmërisë së informacionit financiar të cilat mund të pasqyrohen në uljen e kostove për grumbullimin e kapitalit apo në uljen e premiumit për pasigurinë.

Nga ana tjetër, asimilimi i SNRF në praktikë është i vështirë për shkak të ndryshimeve rrënjësore midis sjelljes dhe praktikave kombëtare dhe ndërkombëtare si dhe për shkak të traditës së ndryshme kulturore dhe ligjore të vendit tonë. Zbatimi i SNRF nuk është thjeshtë një çështje e ndryshimit të formateve të pasqyrave dhe të informacionit që publikohet. Sfidat më të mëdha për një kompani janë të lidhura me informimin dhe me shpjegimet mbi ndikimin që SNRF do të kenë në treguesit e ndryshëm të performancës dhe në rritjen e volatilitetit që zbatimi i këtyre standardeve do të sjellë fillimisht. Kompanitë duhet të sigurohen për informimin e investitorëve, aksionerëve dhe të të gjitha palët e interesuara dhe për mënjanimin e ndryshime të papritura që mund të gjenerohen.

Zbatimi i SNRF-ve përbën një sfidë konceptuale pasi standardet janë të ndërtuara në mënyrë konceptuale, duke u mbështetur në konceptin “substanca mbi formën”.

Ndërkohë, në Shqipëri, ashtu si në shumë vende të tjera, rregullat kontabël tradicionalisht kanë qenë shumë përshkruese duke anuar nga forma më shumë se substanca.

Në këto kushte ndryshimi i sistemit referues konceptual dhe vështirësitë e aktorëve në treg për tu adaptuar në kohë mund të rezultojë në pasqyra financiare që në pamje duken

se zbatojnë formatin SNRF, por që janë të pasakta në substancë. Si rrjedhim këto pasqyra financiare mund të mos kishin efektet e dëshiruara për investitorët apo dhe mund të dëmtonin reputacionin e besueshmërisë së standardeve ndërkombëtare.

I. Eksperienca Evropiane e zbatimit të SNRF.

Për procesin e konvergimit drejt SNRF kompanive private që veprojnë në Komunitetin Evropian kanë pasur një periudhë 2 apo 3 vjeçare për të adoptuar të gjitha standardet ndërkombëtare dhe direktivat përkatëse Evropiane të lidhura me zbatimin e standardeve. Gjithashtu gjatë kësaj kohe është punuar për përshtatjen e disa aspekteve të sistemit ligjor të vendeve përkatëse. Në mënyrë më të detajuar eksperienca e Komunitetit Evropian dhe e disa vendeve të veçanta paraqitet më poshtë.

Në korrik 2002, Parlamenti Evropian dhe Këshilli i Evropës aprovoi rregulloren mbi zbatimin e standardeve ndërkombëtare të kontabilitetit. Sipas artikullit 4 dhe 5 (Shtojca I) të kësaj rregulloreje për çdo vit financiar që fillon ose pas 1 janarit 2005, kompanitë që drejtohen nga ligji i Vendeve Anëtare duhet të përgatisin llogaritë e tyre të konsoliduara dhe/ose llogarite vjetore konform standardeve ndërkombëtare të kontabilitetit të adoptuara në përputhje me procedurat e përcaktuara për kompanitë e listuar në bursën apo në një treg të rregulluar të secilit Vendi Anëtarë sipas direktivave përkatëse dhe për kompanitë e tjera që nuk janë të listuara.

Në 1 janar 2005 mbi 8000 kompani Evropiane filluan përdorimin e SNRF-se dhe në tremujorin e parë të vitit 2005 kompanitë publikuan pasqyrat e para financiare sipas standardeve të SNRF-së.

I.1 Eksperienca e disa vende të veçanta Evropiane.

Austri

Kodi Tregtar Austriak u amendua në vitin 1999 dhe lejoi të gjitha grupet Austriake, të listuara ose jo, të përdornin standardet ndërkombëtare në vend të atyre Austriake.

Sipas rregullave të parlamentit Evropian për:

- a) Llogaritë e Konsoliduara:

- Kompanitë e listuara janë të detyruara që ti mbajnë sipas SNRF-në fillimin e vitit financiar 2005.
- Kompanitë e pa listuara do të kenë ende mundësi që të zgjedhin për të mbajtur llogaritë sipas SNRFs.

b) Llogaritë individuale:

- Si kompanitë e listuara ashtu edhe nga ato që nuk janë të listuara, do të mbahen vetëm me Kodin Tregtar Austriak.

Në këtë situatë, llogaritë individuale sipas SNRF-së të mbahen vetëm për informacion. Kjo kornizë kontabiliteti nuk do të ketë efekt për shkak të varësisë midis Kodit Tregtar Austriak dhe ligjit Austriak të tatim-taksave.

Belgjikë

Korniza ligjore Belge bazohet në Kodin Tregtar të vitit 1999 dhe dekretin mbretëror zbatues të 30 janarit 2001, ndërsa mbajtja e llogarive të konsoliduara bazohen në një dekret mbretëror të vitit 1990. Ndryshimet kryesore midis kornizës legislative belge dhe SNRF-ve qëndrojnë kryesisht në lidhje me parimet e prurancës dhe parimet fiskale.

Kompanitë ndërkombëtare (të ashtuquajturit Lojtarë Globalë) lejohet që të zbatojnë SNRF-në apo GAAP-in Amerikan (deri në 2007 dhe pasi kanë marrë autorizimin nga Ministria e Ekonomisë) për të përgatitur llogaritë e konsoliduara.

Në shkurt 2005, doli një dekret mbretëror që rregullonte përdorimin e SNRF-ve për llogaritë e **konsoliduara**.

- Kompanitë e listuara janë të detyruara që të zbatojnë SNRF-të që nga 1 janari 2005.
- Kompanitë e palistuara kanë mundësinë që të aplikojnë SNRF-të në bazë vullnetare për periudhën kontabël që fillon në ose pas 31 dhjetorit 2003.

France

Në prill 1998 u krijua Komiteti i Rregullimit të Kontabilitetit, që kishte autoritetin të miratonte standarde e reja kontabël. Në Francë lejohen të praktikohen vetëm standarde franceze.

Në lidhje me zbatimin e standardeve

Për llogaritë e konsoliduara:

- Për grupet e listuara SNRF-ja ishte e detyrueshme që nga 1 janari 2005.
- Për grupet e palistuar, u dha mundësia e adoptimit të standardeve në 2005. Kalim progresiv nga standardet kombëtare drejt atyre ndërkombëtare.

Për llogaritë individuale:

- Kalim progresiv nga standardet kombëtare drejt atyre ndërkombëtare, me lehtësira për SME-të.

Rregullorja që bëri adaptimin e llogarive të konsoliduara u përfundua në nëntor 2005, rregullat e reja u bënë efektive nga 1 janari 2006.

Itali

Në tetor 2003 qeveria Italiane, nëpërmjet një ligji kombëtar aprovoi zbatimin e SNRF-ve në Itali. Rregullatori Italian ka zgjedhur këto alternativa

Për kompanitë e listuara, bankat dhe kompanitë financiare:

- Adoptimi i SNRF-ve është i detyrueshëm për llogaritë e konsoliduara nga 1 janari 2005 e në vazhdim.
- Adoptimi i SNRF-ve për llogaritë individuale bëhet në bazë vullnetare në 2005 dhe mandatore në 1 janar 2006.

Për kompanitë e sigurimeve:

- Për kompanitë e listuara, SNRF-të janë të detyrueshme që prej 1 janarit 2005 për llogaritë e konsoliduara dhe nga 1 janari 2006 për llogaritë individuale (në bazë vullnetare në 2005).
- Për kompanitë e palistuar SNRF-të janë të detyrueshme për llogaritë e konsoliduara dhe me bazë vullnetare për llogaritë individuale.

Bullgari

Sipas Ligjit të Kontabilitetit 2001, që hyri në fuqi në 1 janar 2002, të gjitha njësitë ndërmarrjet e sektorit privat duhet që të prezantojnë pasqyrat e njësisë ligjore dhe pasqyra e konsoliduara financiare me SNK-të e “aprovuara nga Këshilli i Ministrave”.

Nga viti 2003 në vazhdim bankat duhet që të prezantojnë pasqyrat financiare sipas SNRF-ve dhe Banka Kombëtare Bullgare ka autoritetin që të mandatojë bankat për të përgatitur pasqyrat financiare bazuar në kërkesat rregullatore (p.sh përqsja ndaj provigjoneve).

Burimi: IFRS impact, Document no. 1, III Working Group on IFRS Impact and European Committee of Central Balance Sheet Data Offices (CBSO) database.

Shtojcë I.

Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002

on the application of international accounting standards

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN
UNION,

Having regard to the Treaty establishing the European Community, and in particular
Article 95(1) thereof,

Having regard to the proposal from the Commission(1),

Having regard to the opinion of the Economic and Social Committee(2),

Acting in accordance with the procedure laid down in Article 251 of the Treaty(3),

Whereas:

(1) The Lisbon European Council of 23 and 24 March 2000 emphasised the need to
accelerate completion of the internal market for financial services, set the deadline of
2005 to implement the Commission's Financial Services Action Plan and urged that
steps be taken to enhance the comparability of financial statements prepared by
publicly traded companies.

(2) In order to contribute to a better functioning of the internal market, publicly traded
companies must be required to apply a single set of high quality international
accounting standards for the preparation of their consolidated financial statements.
Furthermore, it is important that the financial reporting standards applied by
Community companies participating in financial markets are accepted internationally
and are truly global standards. This implies an increasing convergence of accounting
standards currently used internationally with the ultimate objective of achieving a
single set of global accounting standards.

(3) Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain
types of companies(4), Council Directive 83/349/EEC of 13 June 1983 on
consolidated accounts(5), Council Directive 86/635/EEC of 8 December 1986 on the
annual accounts and consolidated accounts of banks and other financial institutions(6)
and Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and
consolidated accounts of insurance companies(7) are also addressed to publicly traded
Community companies. The reporting requirements set out in these Directives cannot
ensure the high level of transparency and comparability of financial reporting from all
publicly traded Community companies which is a necessary condition for building an
integrated capital market which operates effectively, smoothly and efficiently. It is
therefore necessary to supplement the legal framework applicable to publicly traded
companies.

(4) This Regulation aims at contributing to the efficient and cost-effective functioning
of the capital market. The protection of investors and the maintenance of confidence
in the financial markets is also an important aspect of the completion of the internal
market in this area. This Regulation reinforces the freedom of movement of capital in

the internal market and helps to enable Community companies to compete on an equal footing for financial resources available in the Community capital markets, as well as in world capital markets.

(5) It is important for the competitiveness of Community capital markets to achieve convergence of the standards used in Europe for preparing financial statements, with international accounting standards that can be used globally, for cross-border transactions or listing anywhere in the world.

(6) On 13 June 2000, the Commission published its Communication on "EU Financial Reporting Strategy: the way forward" in which it was proposed that all publicly traded Community companies prepare their consolidated financial statements in accordance with one single set of accounting standards, namely International Accounting Standards (IAS), at the latest by 2005.

(7) International Accounting Standards (IASs) are developed by the International Accounting Standards Committee (IASC), whose purpose is to develop a single set of global accounting standards. Further to the restructuring of the IASC, the new Board on 1 April 2001, as one of its first decisions, renamed the IASC as the International Accounting Standards Board (IASB) and, as far as future international accounting standards are concerned, renamed IAS as International Financial Reporting Standards (SNRF). These standards should, wherever possible and provided that they ensure a high degree of transparency and comparability for financial reporting in the Community, be made obligatory for use by all publicly traded Community companies.

(8) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission(8) and with due regard to the declaration made by the Commission in the European Parliament on 5 February 2002 concerning the implementation of financial services legislation.

(9) To adopt an international accounting standard for application in the Community, it is necessary firstly that it meets the basic requirement of the aforementioned Council Directives, that is to say that its application results in a true and fair view of the financial position and performance of an enterprise - this principle being considered in the light of the said Council Directives without implying a strict conformity with each and every provision of those Directives; secondly that, in accordance with the conclusions of the Council of 17 July 2000, it is conducive to the European public good and lastly that it meets basic criteria as to the quality of information required for financial statements to be useful to users.

(10) An accounting technical committee should provide support and expertise to the Commission in the assessment of international accounting standards.

(11) The endorsement mechanism should act expeditiously on proposed international accounting standards and also be a means to deliberate, reflect and exchange information on international accounting standards among the main parties concerned, in particular national accounting standard setters, supervisors in the fields of securities, banking and insurance, central banks including the ECB, the accounting profession and users and preparers of accounts. The mechanism should be a means to foster common understanding of adopted international accounting standards in the Community.

(12) In accordance with the principle of proportionality, the measures provided for in this Regulation, in requiring that a single set of international accounting standards be applied to publicly traded companies, are necessary to achieve the objective of contributing to the efficient and cost-effective functioning of Community capital markets and thereby to the completion of the internal market.

(13) In accordance with the same principle, it is necessary, as regards annual accounts, to leave to Member States the option to permit or require publicly traded companies to prepare them in conformity with international accounting standards adopted in accordance with the procedure laid down in this Regulation. Member States may decide as well to extend this permission or this requirement to other companies as regards the preparation of their consolidated accounts and/or their annual accounts.

(14) In order to facilitate an exchange of views and to allow Member States to coordinate their positions, the Commission should periodically inform the accounting regulatory committee about active projects, discussion papers, point outlines and exposure drafts issued by the IASB and about the consequential technical work of the accounting technical committee. It is also important that the accounting regulatory committee is informed at an early stage if the Commission intends not to propose to adopt an international accounting standard.

(15) In its deliberations on and in elaborating positions to be taken on documents and papers issued by the IASB in the process of developing international accounting standards (SNRF and SIC-IFRIC), the Commission should take into account the importance of avoiding competitive disadvantages for European companies operating in the global marketplace, and, to the maximum possible extent, the views expressed by the delegations in the Accounting Regulatory Committee. The Commission will be represented in constituent bodies of the IASB.

(16) A proper and rigorous enforcement regime is key to underpinning investors' confidence in financial markets. Member States, by virtue of Article 10 of the Treaty, are required to take appropriate measures to ensure compliance with international accounting standards. The Commission intends to liaise with Member States, notably through the Committee of European Securities Regulators (CESR), to develop a common approach to enforcement.

(17) Further, it is necessary to allow Member States to defer the application of certain provisions until 2007 for those companies publicly traded both in the Community and on a regulated third-country market which are already applying another set of internationally accepted standards as the primary basis for their consolidated accounts as well as for companies which have only publicly traded debt securities. It is nonetheless crucial that by 2007 at the latest a single set of global international accounting standards, the IAS, apply to all Community companies publicly traded on a Community regulated market.

(18) In order to allow Member States and companies to carry out the necessary adaptations to make the application of international accounting standards possible, it is necessary to apply certain provisions only in 2005. Appropriate provisions should be put in place for the first-time application of IAS by companies as a result of the entry into force of the present regulation. Such provisions should be drawn up at international level in order to ensure international recognition of the solutions adopted,

HAVE ADOPTED THIS REGULATION:

Article 1

Aim

This Regulation has as its objective the adoption and use of international accounting standards in the Community with a view to harmonising the financial information presented by the companies referred to in Article 4 in order to ensure a high degree of transparency and comparability of financial statements and hence an efficient functioning of the Community capital market and of the Internal Market.

Article 2

Definitions

For the purpose of this Regulation, "international accounting standards" shall mean International Accounting Standards (IAS), International Financial Reporting Standards (SNRF) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB).

Article 3

Adoption and use of international accounting standards

1. In accordance with the procedure laid down in Article 6(2), the Commission shall decide on the applicability within the Community of international accounting standards.

2. The international accounting standards can only be adopted if:

- they are not contrary to the principle set out in Article 2(3) of Directive 78/660/EEC and in Article 16(3) of Directive 83/349/EEC and are conducive to the European public good and,
- they meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

3. At the latest by 31 December 2002, the Commission shall, in accordance with the procedure laid down in Article 6(2), decide on the applicability within the Community of the international accounting standards in existence upon entry into force of this Regulation.

4. Adopted international accounting standards shall be published in full in each of the official languages of the Community, as a Commission Regulation, in the Official Journal of the European Communities.

Article 4

Consolidated accounts of publicly traded companies

For each financial year starting on or after 1 January 2005, companies governed by the law of a Member State shall prepare their consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in Article 6(2) if, at their balance sheet date, their securities are admitted to trading on a regulated market of any Member State within the meaning of Article 1(13) of Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field(9).

Article 5

Options in respect of annual accounts and of non publicly-traded companies

Member States may permit or require:

- (a) the companies referred to in Article 4 to prepare their annual accounts,
 - (b) companies other than those referred to in Article 4 to prepare their consolidated accounts and/or their annual accounts,
- in conformity with the international accounting standards adopted in accordance with the procedure laid down in Article 6(2).

Article 6

Committee procedure

1. The Commission shall be assisted by an accounting regulatory committee hereinafter referred to as "the Committee".

2. Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof. The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.

3. The Committee shall adopt its rules of procedure.

Article 7

Reporting and coordination

1. The Commission shall liaise on a regular basis with the Committee about the status of active IASB projects and any related documents issued by the IASB in order to coordinate positions and to facilitate discussions concerning the adoption of standards that might result from these projects and documents.

2. The Commission shall duly report to the Committee in a timely manner if it intends not to propose the adoption of a standard.

Article 8

Notification

Where Member States take measures by virtue of Article 5, they shall immediately communicate these to the Commission and to other Member States.

Article 9

Transitional provisions

By way of derogation from Article 4, Member States may provide that the requirements of Article 4 shall only apply for each financial year starting on or after January 2007 to those companies:

- (a) whose debt securities only are admitted on a regulated market of any Member State within the meaning of Article 1(13) of Directive 93/22/EEC; or
- (b) whose securities are admitted to public trading in a non-member State and which, for that purpose, have been using internationally accepted standards since a financial year that started prior to the publication of this Regulation in the Official Journal of the European Communities.

Article 10

Information and review

The Commission shall review the operation of this Regulation and report thereon to the European Parliament and to the Council by 1 July 2007 at the latest.

Article 11

Entry into force

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 19 July 2002.

For the European Parliament

The President

P. Cox

For the Council

The President

T. Pedersen

(1) OJ C 154 E, 29.5.2001, p. 285.

(2) OJ C 260, 17.9.2001, p. 86.

(3) Opinion of the European Parliament of 12 March 2002 (not yet published in the Official Journal) and Decision of the Council of 7 June 2002.

(4) OJ L 222, 14.8.1978, p. 11. Directive as last amended by European Parliament and Council Directive 2001/65/EC (OJ L 283, 27.10.2001, p. 28).

(5) OJ L 193, 18.7.1983, p. 1. Directive as last amended by European Parliament and Council Directive 2001/65/EC.

(6) OJ L 372, 31.12.1986, p. 1. Directive as last amended by European Parliament and Council Directive 2001/65/EC.

(7) OJ L 374, 31.12.1991, p. 7.

(8) OJ L 184, 17.7.1999, p. 23.

(9) OJ L 141, 11.6.1993, p. 27. Directive as last amended by European Parliament and Council Directive 2000/64/EC (OJ L 290, 17.11.2000, p. 27).

Shtojcë II.

Skema e publikimit të pasqyrave financiare në Mbretërinë e Bashkuar.

2004 T3 dhe T4	Zgjidhen politikat kontabël të SNRK-së, SNRK 1 Adoptimi Për Herë të Parë dhe politikat që janë opsionale për tu adoptuar në 2005. Përgatitet bilanci i çeljes pro forma i 2004 me SKRK me bashkërendim. Përgatiten krahasueset për pasqyrat e përkohshme (interim) financiare me SNRK për gjashtë muaj deri në 30 Qershor 2004.
2005 Q1	Publikohet informacioni i vitit 2004 me standardet kombëtare
2005 Q1/Q2	Publikohet informacioni pro-forma me SNRK për pasqyrat financiare të 2004 sipas standardeve kombëtare Ose Publikohet informacioni krahasues me SNRK i 2004 dhe të dhënat e përkohshme dhe në mënyrë të veçantë publikohen rezultatet sipas standardeve kombëtare për 2004

<p>30 Qershor 2005</p>	<p>Nxirret seti i parë i pasqyrave të përkohshme financiare me SNRF duke përfshirë edhe krahasueset për periudhën 30 qershor 2004, dhe të gjitha bashkërendimet që kërkohen nga SNRF 1 Adoptimi Për Herë të Parë</p>
<p>Nga dhjetori 2005</p>	<p>Publikohen pasqyrat financiare vjetore duke përfshirë të krahasimet me 31 dhjetorin 2004 dhe të gjitha bashkërendimet që kërkohen nga SNRF 1, përfshirë axhustimet për zbatimin e SNK 32 dhe SNK 39.</p>



SPI Albania Project: The impact on the banking regulations of the IFRS implementation

Main Findings of the Survey on Bank's Readiness to Implement IFRS

Total members of AAB (no.):	16 banks
Market Share (100%):	100%
Total respondent banks (no.):	11 banks
Respondent ratio:	68.8%
Market share of the respondent banks: (reference indicator: total assets)	67.6%
Size of the respondent banks:	small, medium, large

Main conclusions

- 1. Respondent banks represent a large share of the banking market, therefore the results of the survey may be considered as relevant. To a large extent, the findings of this survey can be generalized to the entire banking system¹.**
- 2. The survey confirms that the largest part of the banking system is applying international financial reporting standards. Out of the 11 respondent banks only three banks have not applied IFRS yet, and one of them is under the implementation process.**
- 3. The adjustment of human resources and IT systems to the requirements of IFRS implementation would need 3 to 6 months for HR and 7-12 month for IT in case the reports are to be produced automatically.**
- 4. Regarding the main changes brought by IFRS, banks have identified different treatment of loan loss impairment, amortization of expenses, treatment of the income from various activities (FX, fees and commissions etc.), deferred tax asset / liability, reclassification of statistical provisions of loans from liabilities to contra – assets accounts, revaluation of the capital held in currencies different from ALL, fair asset value etc.**

¹ The respondent banks cover all types of operational and ownership structures.

Question 1. Do you apply the International Accounting Standards and the International Financial Reporting Standards IAS / IFRS to report to your parent company?

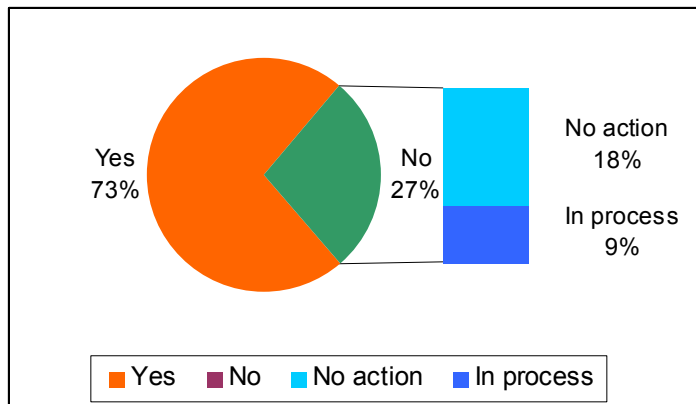
Answers

Table 1. The status of IFRS application in the banking system

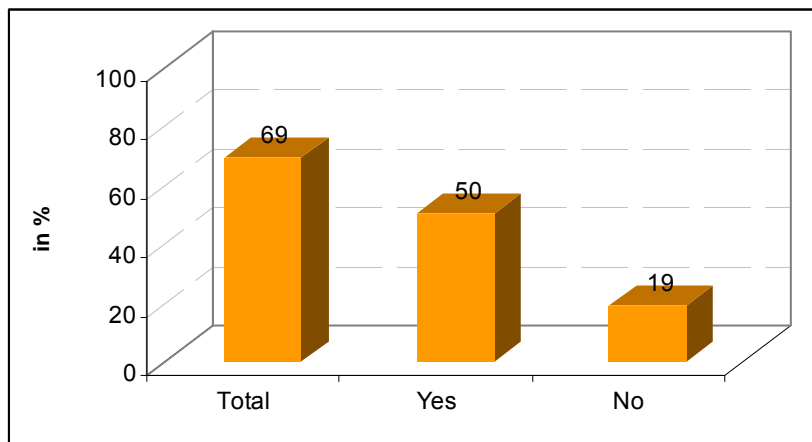
Response:	No. of respondent banks	% answers in total received answers	% of the respondent banks aggregate market share in total market
Total	11	100	67.6
Yes	8	72.8	66.2
No	3	27.2	1.4
In process	1	0.09	0.41
No significant actions	2	0.18	0.95

Chart 1. Structure of responses

a) Percentage of answers in total received answers



b) Percentage of respondents to aggregate market share in total market.



Conclusion 1: The major part of the respondents, as number and as share of the market, has started the process of IFRS application. Data from the survey confirm that more than 66% of the total market is currently applying and reporting to their

parent companies according to IFRS. One bank even though has not reported under IFRS yet, is in the process of adoption the new accounting and reporting framework. The market share of this bank is small and it will not bring considerable changes to the current status of IFRS application. Only 2 banks from the respondents, which make up almost 13% of the total market, have not taken significant actions in the process of IFRS implementation.

Question 2. If “Yes” when did you first report under IAS / IFRS?

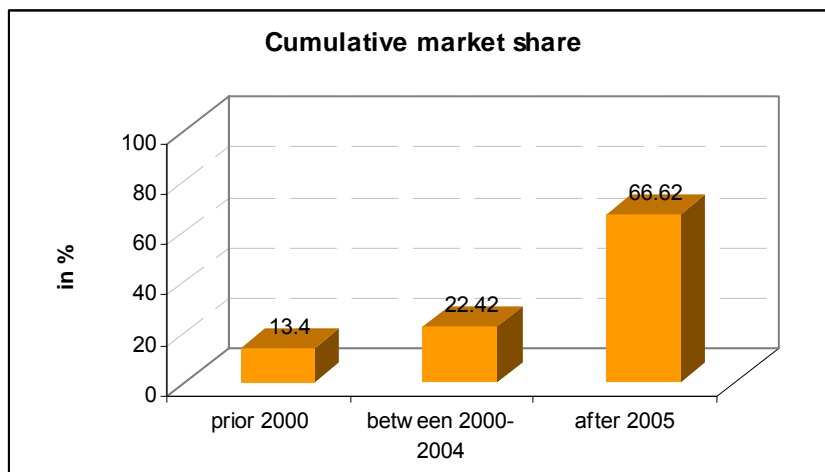
Answers

Table 2. The period of First time adoption.

Period of application	No.	Market share (%)
Prior 2004*	2	22.4
2005 - 2008	7	44.2

*In 2004 was issued the new Law on Accounting and Financial Statements

Chart 2. The evolvement of IFRS application, cumulative market share



Conclusion 2: the data from the survey show that IFRS application in the Albanian banking system has followed the application of this conceptual framework in other European countries. Following the increased presence of foreign private ownership in the banking system, banks have faced the need to report to their shareholders in accordance to the international standards. From the respondents only one of the IFRS applicants does not have foreign presence in its own capital structure. This bank has applied the standards on a voluntary basis.

Question 3. How long has been the process of adapting:

- Human Resources;
- IT Resources.

Answers

- a.** The process of the human resources development in accordance to IFRS standards has taken from 3 – to 7 months (with a strong bias to the upper range). Response rate is 5 out of 8 IFRS applicants. While,
- b.** Currently the banking system has not made significant modifications in the IT system for the adoption of IFRS. Six² banks among the IFRS applicants state that they have not installed or made significant changes to the IT system with regard to the accounting system (core system) for IFRS. The reports for the parent company are created through extra account reports (excel files). To achieve a full automated IT system banks estimated that it will take from 7 to 12 months.
- c.** One banks states in the IFRS implementation process has performed even credit risk management changes.

Conclusion 3: The adjustment of the human resources for IFRS implementation took 3 – 7 months. In a first stage, reporting under IFRS may require no important changes in the IT system. In addition to the reporting system banks might also adopt the credit risk management system.

Question 4. If not yet reporting, how much time your bank is estimating to need for IFRS implementation?

- a. Human Resources;
- b. IT Resources.

Answer

The first time IFRS adopters estimate that will require:

- a.** From 3 to 6 months for the human resources development. And,
- b.** 3 months for the IT system adoption (there is not made any specification with regard to the type of modification).

Conclusion 4: A first time IFRS adopter bank might spend from 3 to 6 months in the process of adjusting the human resources needs and 3 months to adapt the information technology system.

Question 5. If your bank is implementing the IFRS or is under the process of adapting the IFRS into the financial statements, did you identify or are you identifying the main changes to be occurred into these statements? Please detail in general the main topics or issues.

Answer

² One of these banks is planning to start since this year to establish an appropriate system for IAS/IFRS. They suggest that all the banking system to discuss in order to follow a common policy for this purpose.

Respondent banks identified as main changes brought by IFRS implementation the followings:

BALANCE SHEET

ASSETS

Amortized cost of loan portfolio, to be adjusted according to the effective interest rate method (IAS 39). Adoption of effective interest rate method for acknowledging of income also impact on interest income and commission income.

Loan loss impairments. Regulatory requirements on loan loss provisions significantly diverge from the IAS / IFRS requirements.

Fair value measurement of financial instruments under IFRS 39.

Amortization expense. Bank accounting manual prescribes some rates of amortization for different categories of assets. This does not seem to converge with IAS / IFRS requirements.

LIABILITIES & EQUITY

Revaluation of the capital held in currencies different from ALL has to be included in P&L instead of Balance sheet as it is actually reported.

PROFIT AND LOSS

Income from FX operations and accounting treatment of foreign currency denominated equity. While the existing standards allow the usage of some "Translation reserve account" to account for the differences between historical cost of equity and current value, under IFRS such variation has to go through P&L.

Deferred tax asset / liability. This derives from the above listed adjustments.

Expenses for the reconstruction of the branches which are not property of the bank should not be amortized any more based on the life of the rent contract but have to be included directly in the P&L.
Start up cost expenses will not be amortized but will go directly to P&L. (Adjustment of start – up costs capitalized on Intangible Assets and reclassification in P&L account.)
Reclassification in P& L account of the amount of inventories in use, held according to old standards in Other Assets.

RECLASSIFICATIONS
Adjustment related the reclassification of statistical provisions of loans from liabilities to contra – assets accounts.
Reclassification of Statutory Reserve with Central Bank.
Reclassification of Difference from Capital Revaluation in to P&L account (the capital should be held with historical cost).

In addition, in important issues is related to the recognition of some certain assets and expenses, which are in contradiction with the existing fiscal laws.

Question 6. Comments.

Banks need clarifications on the following practical issues:

What statements will they present to BoA for statutory purposes, those prepared in accordance with IFRS or something different?

Will there be a separate set of “regulatory statements” or a review of special purpose reports (i.e. Unified Reporting System (SRU)) will be sufficient?

If banks have to present IFRS statements, then they will be IFRS as adopted by Albanian Government (IFRS 2006) or IFRS effective as of the date of closing the financial statements?

List of the participants in the survey.

Banks	Respondent	Market share
Alpha Bank		
American Bank of Albania		
Credins Bank	√	4.82%
Credit Bank of Albania	√	0.27%
Emporiki Bank		
First Investment Bank	√	0.28%
International Commercial Bank	√	0.68%
Italian Development Bank	√	0.41%
National Bank of Greece		
National Commercial Bank	√	13.40%
Popular Bank	√	4.96%
ProCredit Bank		
Raiffeisen Bank	√	31.94%
Tirana Bank	√	9.02%
Union Bank	√	1.06%
United Bank of Albania	√	0.71%



SPI Project on the impact of IFRS implementation on the Banking regulatory framework

Project Objectives

- To interpret the Decision of the Ministry of Finance for the timing of the application of IFRS standards.
- To assess the impact of IFRS implementation in banking regulatory framework by preparing a list / identifying the affected laws, bylaws, regulations and guidelines.
- To assess the main areas of impact and the general sense of the changes to be brought to the regulations.

Project Management Team

Project Owner (PO): Indrit Banka, Supervision Director, BoA

Project Manager (PM): Miranda Ramaj, Supervision Deputy Director, BoA

Deputy Project Manger (DPM): Armand Muharremi, Head of Finance Department, Banka Popullore

Minutes

Second meeting

July 29, 2008—AAB premises

Attendees: Armand Muharremi, Banka Popullore (DPM)
Ilir Pustina, BoA (member)
Julia Manushi, Raiffeisen Bank (member)
Lirola Keri, National Accounting Council (member)
Bendis Husi, National Accounting Council (observer)
Lyela Rama, AMF (member)
Romira Hoxha, KPMG (member)

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Heris Jani, KPMG (observer)
Florian Dervishi, FIB (member)
Nuriona Sokoli, Deloitte, (member)
Skender Emini, BKT (member)
Zinaida Cako, BNT (member)
Eralda Gurga, Emporiki Bank (member)
Gentiana Mucaj, Alpha Bank (alternate member)
Vadiola Melellari, Alpha Bank (alternate member)
Ramona Bratu, SPI Regional Operations Director
Elona Bollano, SPI Albania Director of Analysis and Policy
Anuela Ristani, SPI Albania Director of Operations

I. Project Activity Brief

- Presentation of the Note on European Experience sent to NAC
SPI Secretariat has prepared a Note on the European Experience on IFRS implementation to assist the NAC in their interpretation of the MoF decree. The Note was drafted in consultation with the Project Management Team.

- Presentation of the Official interpretation of the MoF decree by NAC
The NAC has issued an official interpretation of the issues raised by the PWG on the start of IFRS implementation accordingly to the decree issued by the Ministry of Finance and as a response to the official letter for interpretation sent by BoA.

The two main issues that required interpretation were:

- a. The official date of IFRS implementation: whether 1 January 2008 could be the full compliance date for the implementation or transitory period.
- b. The Albanian translation of 2006 version of IFRS should be the applicable version for reporting or the updated in 2008 English version of IFRS will prevail.

NAC interpretation consisted on the following:

- a. The IFRS implementation date will be 1 January 2008, since the business entities had enough time to be prepared for this as Law on accounting dated 29.4.2004 stated the obligation to use IFRS and they had the English version of the standards available for preparations.
- b. The IFRS translation in Albanian is only supportive and does not prevail the English Version as prepared by IAS Board.

The Project Working Group members commented on possible alternatives of interpretation of the above mentioned conclusions. PWG outlined that a more precise answer is needed in order to clarify the prevalence issue between the English Version versus the official translated and approved by NAC version, and declared as mandatory by the Ministry of Finance.

The Working Group will make a note in the closing document that will be circulated to all institutions involved in this process on the need to clarify this issue in consistence with the terminology used in Law on Accounting, Article 4, Paragraph 3.

II. Banking Survey Report Presentation (Discussion and Approval)

SPI Secretariat run a questionnaire for the bank's readiness on implementing IFRS. The survey was distributed through AAB to the 16 banks. The results were as follows:

1. Respondent banks represent a large share of the banking market, therefore the results of the survey may be considered as relevant. To a large extent, the findings of this survey can be generalized to the entire banking system since they represent all types of operational and ownership structures.
2. The survey confirms that the largest part of the banking system is applying international financial reporting standards. Out of the 11 respondent banks only three banks have not applied IFRS yet, and one of them is under the implementation process.
3. The adjustment of human resources and IT systems to the requirements of IFRS implementation would need 3 to 6 months for HR and 7-12 month for IT in case the reports are to be produced automatically.
4. Regarding the main changes brought by IFRS, banks have identified different treatment of loan loss impairment, amortization of expenses, treatment of the income from various activities (FX, fees and commissions etc.), deferred tax asset / liability, reclassification of statistical provisions of loans from liabilities to contra – assets accounts, revaluation of the capital held in currencies different from ALL, fair asset value etc.

The survey results were sent to NAC before their official interpretation in order to assist them drafting their response.

III. Discussions on the changes to be brought to the banking regulation in the process of implementing IFRS

The PMT under the assistance of SPI Secretariat has grouped the BoA regulations in 3 main categories based on the significance of the change produced by IFRS implementation:

1. Regulations that will be substantially affected by IFRS implementation (First Priority)
2. Regulations that will be moderately affected by IFRS implementation (Second Priority)
3. Regulations that will not be affected by IFRS implementation (no priority).

The working group members were invited to study the material and send their suggestions on:

- a. The accuracy of the classification (if the regulations are properly grouped accordingly to the grouping criteria)
- b. The individual suggestions on specific items of each regulation affected by the IFRS implementation and the sense of the changes.

Based on the comments sent by the WG members and aggregated by the SPI Secretariat, the working group will draft a conclusive document, highlighting the main areas of impact brought by IFRS implementation in the banking regulations and the priority in modifying them.

Based on the above document the WG will deliver a consultative priority plan to support BoA in their process of regulatory changes in due process of IFRS implementation.

IV. Other topics discussed (Banking Manual, Banking Capital)

The banks are very concerned to understand if the Banking Manual maintains validity under the current changes in the accounting framework brought by IFRS Implementation.

Some of the main areas of interest are:

- If the Banking Manual will continue to be valid and until when.
- Nature of changes in the chart of accounts
- The reporting for BoA (SRU) vis-a-vis IFRS reporting.

BoA is aware of the challenges encountered under the current context and the controversies that may derive while the Manual has not been invalidated by the Council of Ministers (the formal issuers). However under the revision processes of BoA the issue of the Banking Manual will be clarified.

V. Conclusions and distribution of tasks:

- **SPI Secretariat will disseminate to the banking community the findings of the survey on banks' readiness to implement IFRS together with NAC interpretation.**
- **The Project Working Group Members will send their individual contributions on the accuracy of classification (if the regulations are properly grouped accordingly to the grouping criteria).**
- **The Project Working Group Members will send their individual suggestions on specific items of each regulation affected by the IFRS implementation and the sense of the changes.**
- **The SPI Secretariat will collect and aggregate the individual contributions as sent by the Working Group Members.**
- **SPI Secretariat will draft the PWG document for consultation.**

Next PWG meeting: September 12, 2008.