

**REGULATION**  
**ON**  
**FOREIGN EXCHANGE ACTIVITY**

**General**

**The legal basis** of this Regulation is:

- a) Article 1, paragraph 4, letter "b", Article 12 paragraph "b", Article 43, paragraph "c" and Article 61, paragraph "b" of the Law no. 8269, dt.23.12.1997 "On the Bank of Albania", amended;
- b) Article 126, dated 18.12.2006 "On Banks in the Republic of Albania" and;
- c) "Regulation on the exchange activity" of Bank of Albania approved by the Supervisory Council Decision No.31, dated. 06.06.2007 and amended by Decision No. 73, dated 27.11.2007.

**The object** of this Regulation is foreign operations that are carried out at the counters of the "Albanian Post"

**Subject** to the Regulation of the Bank of Albania are participants and market operators (one of whom the "Albanian Post") in foreign exchange activity. The key terms used in foreign exchange activities have the following significance:

- a) **"Foreign means of payment"** – shall imply each type of monetary/financial instrument as banknote or coins, checks, bills of exchange, promissory notes, letter of credit, money orders and other payment instruments.
- b) **"Foreign currency"** shall mean financial assets in the form of foreign banknotes and coins of legal tender.
- c) **"Convertible Currency"** is freely traded currency with another currency in the international market.
- d) **"Exchange rate"** – shall mean the relative price of a currency expressed as a unit of a different currency, being set out freely in a foreign exchange market, as referred to a particular date.
- e) **"Foreign exchange transactions"** shall imply the transactions of foreign currency sell & buy in cash and travellers cheques carried out by foreign exchange office in name and on its behalf constantly and for profit.
- f) **"The Office"** is the environment in which foreign exchange activity is carried out.
- a) **"Invoice"** is the document issued by the office of foreign exchange for each exchange transaction which contains the:
  - 1. type of currency
  - 2. amount and exchange rates
  - 3. exchanged amount
  - 4. commission
  - 5. name, address and tax code of the office

6. Ordinal number of the document.

- b) **"Foreign currency balance"** is the document in which the daily data are entered for all transactions carried out according to the information given in the invoice.
- c) **"Currency exchange market"** is the market where foreign exchange operations are carried out.

Pursuant to Article 60 of the Law "On Bank of Albania" the value of the Albanian LEK (ALL) in relation to other currencies is easily market determined, if the Bank of Albania does not declare the ALL exchange rate in relation to other currencies or adopts any other regime of currency exchange.

The operators of foreign exchange market in the Republic of Albania are:

- 1. The Bank of Albania
- 2. The banks and the Branches of foreign banks licensed by the Bank of Albania
- 3. Foreign exchange offices licensed by the Bank of Albania
- 4. Non-bank financial subjects that carry out financial activities licensed by the Bank of Albania to conduct foreign exchange activities, according to the Regulation "On granting of the license to carry out financial activities by non-bank subjects in the Republic of Albania".

Counter, Finance Office, Filial / Branch on their behalf may:

- 1. sell and buy currency in cash.
- 2. sell and buy currency through operations in the account

Operators of the foreign exchange market, pursuant to Article 65 of Law No.8269, dt.23.12.1997 "On the Bank of Albania" report to the Bank of Albania.

#### **Service specialist tasks in Filials / Branches for foreign exchange operations:**

- 1. Foreign exchange office must start its activity within 1 month of receiving the license.
- 2. Personnel changes of foreign exchange counter, to be reported to the Bank of Albania within 15 days for their supplying with identification card. For the removed persons identification card must be submitted.
- 3. To notify the Directorate of the Financial Services at the General Directorate of the society for the change of the licensed foreign exchange office address, in order to be immediately informed the Bank of Albania.
- 4. To check all employees who have continuous contact with customers, must keep in a visible place their identification card.
- 5. To affix in a visible place the daily currency exchange rate, in purchasing and in sales for each currency.
- 6. Check that for any foreign exchange, to be issued the invoice of the performed foreign exchange operation and a copy of it to be kept. In this document will be presented the data according to the positions described in the invoice (attached the copy of the mandate).
- 7. To organize work for the realization on time of the daily and weekly reports in the Directorate of Financial Services.

## **The liabilities of the counter employee in charge of the foreign exchange:**

1. Is responsible for exchange transactions.

For any foreign exchange to issue the document for the action performed. Customer is given a second copy of the exchange invoice than, the original is attached to the daily summary overview for the Finance Directorate or for the specialist of the Finance Branch (of the Filial and Branch) and the last copy is kept in the cash. In exchange invoice to be accurately filled the data on:

- The date, time
  - The name and surname of the individual who carries out the foreign exchange
  - The amount to be converted
  - The exchange rate
  - The amount converted
  - The signature of the individual and of the counter cashier
2. Reconciles the actions for the daily purchases and sales for each currency
  3. Respects the criteria defined by Filial / Branch on the status of Cash.
  4. Reports every day via fax at the Directorate of Financial Services in the Directorate General for foreign exchange operations carried out as follows:
  5. Based on the daily records compiles the monthly report to the finance department of the Filial / Branch and reconciles the monthly operations with the balance of Cash.
  6. Compiles progressive evidences for the transactions carried out.

## **The daily reporting**

Reporting is done each day within 14.30 in the Directorate of Financial Services. It is included all actions that are carried out within the last 24 hours. The Albanian Post includes in this report all operations carried out in their filials or branches. Reporting will be made according to the Form 1.2 attached.

## **The weekly reporting**

The weekly reporting is done every Monday at 9:00 at the Directorate of Financial Services. It is included all operations carried out in the center, which are reported every day, as well as operations carried out at the Post branches in districts during the last week. Reporting is done in ALL and represents the counter value of the operations in currency carried out during the week in the center and in branches. Reporting is reflected according to the Form 3 attached.

## **The transparency**

The Albanian Post during their activities keeps the customer transparency by:

1. displaying in a visible place in its offices the license granted by Bank;
2. displaying in a visible place in its offices the exchange rates used for foreign exchange activity;

3. client's supply with invoice for each foreign exchange transaction and agent service and keeps a copy of it.

### **Prevention of money laundering and terrorist financing**

The Albanian Post during exercising the foreign exchange operations acts in accordance with the laws and regulations in force in the field of prevention of money laundering and combating terrorist financing, particularly in relation to:

- Customers identification;
- data storage on the client and on the transactions carried out according to the terms required;
- Reporting to the relevant authorities, suspicious transactions and transactions whose value exceeds the limit defined by the law "On Prevention of Money Laundering".

### **Penalty measures**

When the Bank finds that the subject has violated the provisions of the Regulation, takes punitive measures at the amount of ALL 20.000 (twenty thousand) up to ALL 100.000 (one hundred thousand) if it finds that:

- a) The subject does not implement the provisions of the law "On accounting and financial statements";
- b) The subject does not display the license for carrying out the foreign exchange activity;
- c) The subject does not fulfill the requirements for exercising of the activity related to the technical and safety conditions in accordance with the bylaws of the Bank;
- d) The subject does not act in accordance with the laws and regulations regarding the prevention of money laundering and combating the terrorist financing;
- e) The subject unaware of the Bank has changed its data on the basis of which he is licensed by the Bank and has not informed the Bank of Albania for these changes.

Penalties set out above are paid on behalf of the Bank.

### **Suspension and Revocation of the License**

The Bank suspends the license of the subject for 60 (sixty) calendar days if he has credible evidence that the subject is involved in money laundering activities and terrorist financing. The Bank of Albania has the right to revoke a license in cases where:

1. repeatedly carries out the violations foreseen in the punitive measures;
2. is involved in money laundering activities and terrorist financing;
3. has submitted false documentation during the application procedure for a license or during the procedure of approval of the additional activity;
4. has lost the conditions under which it is licensed;
5. carries out various activities by the activity which he is licensed and by the additional activity in the role of agent approved by the Bank;
6. does not pay the penalties imposed by the Bank as a punitive measure;

7. does not start the activity within 45 (forty five) calendar days from receipt of the license;
8. terminate the activity for more than 60 (sixty) calendar days;
9. terminates its activity on its own initiative.

In the case of revocation of the license, the subject submits in the Bank the license and identification cards of cambists.

### **Head of Finance for accounting**

1. Is responsible for the correct reflection of actions, following and closing of the exchange position of the Filial / Branch in accordance with the limits and guidelines of the Directorate of "Albanian Post" JSC.
1. Controls the daily evidences and periodic reports for the exchange transactions and the closing of positions.
2. Organizes the collection of the respective documents, makes the control, mating and operations accounting.
3. In cases where documentation is not matched the H / Branch, Filial Director is informed.
4. To organize accounting in accordance with Law No. 7661 dated 19.01.1993 "On Accounting"

### **Accounting**

The Albanian Post licensed for exercising the foreign exchange activity:

1. organizes and keeps the accounting in the form specified in the Law "On accounting and financial statements»;
2. keeps cash books for each currency;
3. keeps the foreign exchange balance
4. calculates the position opened by the foreign exchange by the end of each day.

To give a clearer idea on the operations accounting we concretize with a concrete example:

The cash X gets supply from the cash of the filial/branch EUR 500 and ALL 100.000. The supplied Euros have been balance in the cash of the filial / branch in exchange rate of the previous day 121.8

**In this case:**

#### **For operations in EUR**

<b>Debit:</b>	<b>The currency cash (employee code analysis)</b>	<b>500 (121.8)</b>	<b>x</b>
<b>Credit:</b>	<b>The currency cash of the Filial</b>	<b>x 500 (121.8)</b>	

#### **For operations in ALL**

<b>Debit:</b>	<b>The Filial cash in ALL (employee code analysis)</b>	<b>100.000</b>	<b>x</b>
<b>Credit:</b>	<b>The Filial cash in ALL</b>	<b>x 100.000</b>	

1. During the day 800 EUR were bought and 700 EUR were sold. The exchange rate provided by the Financial Services Directorate is 121.8 in purchasing and 122.7 in sales.

The daily evidence available for the accounting which will be compiled by the employee will be:

No.	Currency	Purchase	Exch. Rate	ALL	Sale	Exch. Rate	ALL	Diff.sale-purchase Currency ALL	#balance	Result
1	2	3	4	5	6	7	8	9(3-6) 10(5-8)	11(9*kursi)	12(10-11)
1	EUR	800	121.8	97440	700	122.7	85890	100 11550	12180	-630

In this case actions are carried out during the day; purchases have been more than sales. So by the balance is done a purchase 100 EUR which appears in the accounting at the rate 121.8 ALL.

For this will be done the accounting for the increase of the cash balance in foreign currency and the reducing of the cash balance in ALL.

**In this case :**

**For operations in EUR**

<b>Debit:</b>	<b>The currency cash (employee code analysis)</b>	<b>100 (100*121.8)</b>	<b>x</b>
<b>Credit:</b>	<b>Account remake 581te</b>	<b>x</b>	<b>100 (100*121.8)</b>

**For operations in ALL**

<b>a-</b>	<b>Debit : Account remake 581</b>	<b>12180</b>	<b>x</b>	
	<b>Credit : The cash in ALL (employee code analysis)</b>	<b>x</b>		<b>12180</b>
<b>b-</b>	<b>Debit : Revenues</b>	<b>630</b>	<b>x</b>	
	<b>Credit : The cash in ALL (employee code analysis)</b>	<b>x</b>		<b>630</b>

So, the situation at the end of the day for foreign currency will be: 500 +100 (800-700) = 600 EUR.

For ALL will be: 100.000 + 12180 - 630 = 111 550 ALL.

We clarify ALL. the accounting above overview reflects the actions of each day, based on entry and exit mandates that indicate in the case above mentioned the decrease of currency or addition of the cash balance ALL. Besides the daily statement and the weekly progressive summary that will be reported to the Directorate of the Financial Services, the above statement, for reconciliation effects with the accounting, will be carried to the monthly statements. So we assume that the monthly summary shall include:

No.	Currency	Purchase	Exch. Rate	ALL	Sale	Exch. Rate	ALL	Diff.sale-purchase Currency	ALL	#balance ALL	Result ALL
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9(3-6)</b>	<b>10(5-8)</b>	<b>11(9*kursi)</b>	<b>12(10-11)</b>
1	EUR	800	121.8	97440	700	122.7	85890	100	11550	12180	-630
2	--	500	121.9	60950	500	122.8	61400	0	-450	0	-450
3	--	700	121.4	84980	800	122.3	97840	-100	-12860	-12140	-720
		<b>2000</b>	<b>121.7</b>	<b>243370</b>	<b>2000</b>	<b>122.6</b>	<b>245130</b>	<b>0</b>	<b>-1760</b>	<b>+40</b>	<b>-1800</b>

As shown in this case in the month taken as an example it appears that:

- 1- During the month have been purchased and sold currency (EUR) in equal amounts.
- 2- We have purchased 100 EUR the balance in the case (1) with exchange rate 121.8 ALL / 1 EUR and have sold 100EUR more in in the case (3) with exchange rate 122.3 ALL/ 1EUR.

Revenues from the conversion at the end for the month for this cash will result 2.260 ALL and it results from the accounting of the daily statements.

For the cash situation in EUR , that in our case remains the initial supply situation because during the month the sale-purchases operations result as equal, the rate will be reassessed with the accounting rate for the relevant ending month , leading the difference in conversion incomes or expenses from reevaluation, this depending on the exchange rate. This exchange rate will be announced to the counter employee of the exchange because it will be the reference exchange rate for the activity of following the month.

The previous regulation on the foreign exchange approved by the Directorate decision no.219, dt.24.09.2002, is repealed.

**ARQILE GOREA**

**GENERAL DIRECTOR**