



INTERNAL REGULATION OF THE RISK MANAGEMENT COMMITTEE

June 2021

I. INTRODUCTION AND BACKGROUND

1. This Internal Regulation of Albanian Association of Banks (“**AAB**”) committees enters in effect with the approval of the Assembly of Members of the AAB (decision of Assembly of Member, no. 6, date 10.12.2020).
2. The Internal Regulation of AAB’s committees shall be adopted and used for each technical committee, either established by the decisions Assembly of Members or by the Supervisory Board, as provided under Chapter XII of the AAB Charter.
3. In accordance with the updated Charter of ABB, approved by decision no. 5, date 10.12.2020 of the Assembly of Members it is respectively in Supervisory Board and Secretary General competence to organize and coordinate the activity of technical committees.

II. OBJECTIVES OF THE REGULATION

1. In accordance with Article 33 of AAB Charter, the Regulation shall ensure that the Risk Management Committee performs its tasks in compliance with the principles of independence, confidentiality, commitment and transparency, as well as with the AAB’s principles and standards.
2. In order to achieve these objectives and ensure the effective functioning of the Risk Management Committee, this Regulation determines the functioning of the Committee, their potential working groups, the role and responsibilities of members and experts, other activities related to the functioning of the Committee

III. MAIN PRINCIPLES

In pursuing the objectives set out in this Regulation, and in full compliance with AAB’s Charter, principles and policies, the Risk Management Committee of AAB shall at all times ensure compliance with the following principles:

Independence

The members shall act independently from any external economic or political interests, but also from any bias related to political, economic, social, philosophical, and/or ethical considerations.

Commitment

The Members of AAB shall commit themselves to act in the best of interest of the banking sector and to contribute actively to the work of the Association. They shall set an exemplary conduct in all activities related to the banking activity and in general.

Confidentiality

Members shall respect the principle of confidentiality and professional secrecy, and exercise due diligence in not divulging confidential information acquired as a result of the work of AAB, special committees, workshops, working groups or other activities related to Association.

Transparency

AAB shall operate in accordance with the high level of transparency, without prejudice to legitimate requests for confidentiality or the need to safeguard the freedom and the independence of Members and experts vis-à-vis external influence.

1. CONSTITUTION

- 1.1. The Risk Management Committee of AAB consist of 7 (seven) Members appointed based on the designations received by AAB members.
- 1.2. The mandate of the Committee members shall be 2 (two) years.
- 1.3. Supervisory Board, in the process of establishment of the Technical Committees, will pursue the opportunity that all the AAB Members will be represented in at least 3 (three) Technical Committees (initial permanent technical committees).

2. MEMBERSHIP IN THE RISK MANAGEMENT COMMITTEE

- 2.1. The Risk Management Committee is composed by senior staff - Head of Audit Departments or Directories of the banks' members to AAB.

Only in exceptional cases, in order to address specific issues, banks – member of AAB - may send other representatives having the same profile, which shall be authorized in writing from the Risk Management Committee member or the General Director /Executive Director of the bank to participate in the that meeting of the Committee.

- 2.2. The Executive Office shall publish the notification for potential Risk Management Committee members to apply.
- 2.3. Such notification shall be published in the AAB's official website: www.aab.al. Furthermore, an email notification shall be sent to all the bank members of the AAB thereof.
- 2.4. The General Director /Executive Director of each Member Bank shall propose designated Manager for the Risk Management Committees, providing in attachment the updated "Curriculum vitae" of the candidacy.
- 2.5. The Supervisory Board, with the assistance of the Secretary General, will have a dedicated meeting aimed to evaluate the consistency and quality of the candidacies. Taking into consideration the article 1.3, the Supervisory Board will appoint the effective Members of the Committee.
- 2.6. Should time by time any position within the Committee become vacant, the same procedure will be followed for covering the vacancy.
- 2.7. Following the appointment of the effective Members of the Committee by the Supervisory Board, the appointed Members will convene in order to elect the Chairman of the Committee. The Members will vote by secret ballot unless the election is made by acclamation. The name of the elected Chairman shall be published in the AAB's official website: www.aab.al.

3. FUNCTION, POWERS AND DUTIES

- 3.1. The Risk Management Committee will function as a technical committee, as supporting body to the AAB.
- 3.2. The main purpose of Risk Management Committee and main task are provided in Annex to this Internal Regulation.
- 3.3. During the course of its activity, the Risk Management Committee may adopt:
 - i. Opinions,

- ii. rapid advice notes,
- iii. memoranda and/or
- iv. position statements

regarding all issues and proposals raised from the bodies of AAB, especially the Supervisory Board and the Secretary General.

The Risk Management Committee shall have the right and duty to be proactive to propose items to be included in the agenda of the meeting.

- 3.4. In case of urgent needs, the Secretary General may request the Risk Management Committee to provide rapid advice concerning specific matters. The rapid advice is intended to support the Secretary General with information in case of crisis, sudden events or developments or urgent need to react to public concerns or requests.

Normally, it shall apply in cases where the advice is needed within at the latest a few days.

- 3.5. In the pursuit of AAB's objectives provided by the Charter, the Risk Management Committee, as any other AAB's Committee, shall be engaged in the AAB's training activities. This cooperation shall consist in giving the opportunity to the Risk Management Committee members to participate in training courses, workshops, seminars, lectures, etc., in the quality of trainers to other colleagues in the banking sector and other parties.

- 3.6. Risk Management Committee decisions shall be provided to the Supervisory Board and to the Secretary General through the support of the Executive Office.

- 3.7. All the Member Banks not having representatives in the Technical Committees enjoy the right to attend the meetings of the Committees through their own observers, without voting rights. The observers are entitled to express opinions to be recorded in the minutes of the meetings.

4. MEETINGS PROCEDURES AND VOTING

- 4.1. The Risk Management Committee shall decide in meetings held when so required by the Supervisory Board or Secretary General, as a general rule once in three months.

- 4.2. Invitations to the Risk Management Committee meeting shall be sent by the Executive Office via registered email with recorded delivery to each of its members at least 5 (five) days before the set date of the meeting. Such invitation shall clearly indicate:
 - i. The agenda of the meeting;
 - ii. The date of the meeting;
 - iii. The time of the meeting;
 - iv. The place of the meeting.
- 4.3. Committee members or any of the bodies of AAB have the right to propose items to be included in the agenda. Such proposals will be submitted to the Executive Office via email with recorded delivery (in reply to the invitation email) at least one day before the date of the meeting. The proposed items will be automatically included in the agenda of the upcoming meeting.
- 4.4. In exceptional circumstances the meetings of the Risk Management Committee may be held also via audio or videoconference, provided that all participants are identified, they are given the possibility to follow the discussion and actively participate in it.
- 4.5. Meetings of the Risk Management Committee shall be presided over by the Chairman of the Committee.
- 4.6. Meetings of the Risk Management Committee in any case shall be assisted and facilitated by an employee of the Executive Office, which shall sign the minutes of meeting together with the Chairman.
- 4.7. The minutes of meeting and other deliverables shall be circulated via electronic means, unless otherwise decided, to all members of the Committee. Executive Office keeps and stores the Minutes of all the Committees' meetings.

5. OPINIONS, RESOLUTIONS AND REPORTING

- 5.1. The Risk Management Committee shall adopt its opinions, rapid advice notes, memoranda and/or position statements by an absolute majority of their members of all members.

No abstention is allowed.
- 5.2. The Risk Management Committee should strive to reach common conclusions. However, when it is not possible to reach such common conclusions, transparency should be ensured and the opinions of the Committee shall include any minority opinions together with supporting argumentation. Minority opinions can only be expressed by members and shall be attributed accordingly.

- 5.3. Where a decision of the Risk Management Committee is needed, they are made official by way of a protocol /minutes of meeting.
- 5.4. The Committee cannot take decisions that may affect individual policies or interest of individual banks.
- 5.5. The decisions of the Risk Management Committee shall be delivered to the Supervisory Board and/or the Secretary General.

6. WORKING GROUPS

- 6.1. In agreement with the Supervisory Board and/or the Secretary General, the Risk Management Committee may establish working groups to undertake tasks which are clearly defined and directly linked to the mandates received.

In particular, a working group shall be established when there is a need for external expertise on a particular subject.

The working group may be asked to undertake all necessary tasks in relation to preparing and drafting opinions.

The Risk Management Committee can require that these tasks are completed within a specified period.

- 6.2. The working group shall report to the Risk Management Committee to whose work it contributes to, providing it with such advice or draft opinions as the Committee has requested within the specified period.
- 6.3. Working groups shall comprise of at least one member of the Committee and may include external or ad hoc experts, as well as experts from other AAB's bodies. Other AAB body's members can also participate as observers in the working groups' meetings. They shall be invited to meetings by the Executive Office.
- 6.4. The working group shall be chaired by a member of the Committee that established it. The Chair of the working group shall be responsible for organizing and steering the work of the working group and reporting to the Committee and to the Executive Office.
- 6.5. The working group shall endeavor to reach a consensus. In the absence of a consensus, the Chair of the working group shall inform the Committee of all expressed positions.

7. FINAL PROVISIONS

7.1. Effectiveness

This internal regulation of the Risk Management Committee shall enter into effect on the day of the approval by the Assembly of Members. The existing Committees will remain in place until the new ones are established and the respective members are appointed, but not beyond 3 (three) months from the date of registration of the new Charter at the court.

7.2. Review

This internal regulation could be reviewed or amended by the Assembly of Members as per the Supervisory Board's request.

ANNEX 1

MAIN PURPOSE AND TASKS OF **RISK MANAGEMENT** COMMITTEE

- a) Providing the Supervisory Board and the Secretary General with proposals and answers required in its specific fields of responsibility.
- b) Identification and addressing of sectorial issues related to risk management and its administration in the banking activity.
- c) In charge to review /comment and have a position toward any new or updated draft regulation /law issued from any regulatory body /Government, which impact the banking system risk management area.
- d) Strengthening the banking market infrastructure to facilitate information, standards and risk analysis in the banking activity.
- e) Provide of unified sectorial information for the purpose of risk management analysis in the banking industry. The data gathered can be used for further analysis from the Committee and AAB.
- f) Facilitate the improvement of financial framework and systems regarding investing, financing and hedging instruments and services for financial market.