



**REPUBLIC OF ALBANIA
BANK OF ALBANIA**



Summary

**OF THE NINTH MEETING OF NATIONAL PAYMENT SYSTEM
COMMITTEE (NPSC)**

On Wednesday, December 13th 2023, from 10:00 to 13:45, at Bank of Albania.

On December 13, 2023, the National Payment System Committee (NPSC) held its ninth meeting. The meeting was chaired by the Chair of the Committee, Ms. Luljeta Minxhozi, First Deputy Governor of the Bank of Albania.

In addition to the members of the National Payment System Committee, the Deputy Minister of Finance and Economy, Mr. Endrit Yzeiraj, and representatives from the World Bank and the Bank of Italy also participated in the meeting.

Also invited to the meeting were representatives from banks, non-bank financial institutions, operators of the national card payment schemes, as well as Bank of Albania staff.

The activity was opened by the Deputy Governor Ms. Minxhozi and the Deputy Minister of Finance and Economy Mr. Yzeiraj, who both emphasized the important role of the National Payment System Committee in the implementation of the strategic reforms for the integration of Albania in the European Union (EU).

In her opening address, the Chairperson of NPSC Ms. Minxhozi thanked the participants for the active support in fulfilling the objectives of the National Retail Payments Strategy (2018-2023) where, from a regulatory standpoint, the alignment of our framework with that of the European Central Bank (ECB) for PSD2 payment services was achieved, while at the same time we are in the final phase of approving the law "On the account of payments for basic services", also aligned with the EU directive. The improvement of the regulatory framework has also been supported by the improvement of infrastructures, such as the implementation of interbank direct debit, the

establishment of the system for settling customer payments in euros and the expansion of the participation of payment and electronic money institutions in the AECH system. Ms. Minxhozi emphasized that the joint efforts of the community for payment systems and services have been reflected in exceeding the goals set in the Strategy.

Deputy Governor Minxhozi expressed that the Bank of Albania has started the work for Albania's membership in the Single Area Payments Market, or otherwise known as SEPA, since 2021, when we became a part of the regional Western Balkans payment modernization project. Albania's participation in SEPA will not only mark an extremely important step in the journey of European integration, but it will also create facilities for Albanian businesses and consumers in terms of cost, time and simplicity with which they will perform cross-border transactions within the European market. Also, this project is estimated to have a significant contribution in some strategic sectors such as tourism and exports with the EU, while it is expected to affect the formalization of remittance flows.

In her speech, Ms. Minxhozi said that in the role of monetary authority, regulator and supervisor, Bank of Albania positively evaluates the implementation of a solution for "Instant Payments" which are an alternative option for electronic payments, as they ensure payments 24/7, at lower costs than the alternative instruments. In the case of Albania, "Instant Payments" are estimated to help expand the use of electronic payments and also expand the financial inclusion of the population.

For the implementation of the project for Instant payments, we are collaborating with the Central Banks of the European System, such as Bank of Italy, but also the European Central Bank. Its successful implementation will eventually create the conditions for our integration into the European TIPS system, while it can potentially serve as a solution for other Western Balkan countries as well.

Concluding her speech, Ms. Minxhozi announced that the Bank of Albania will soon approve its Strategy for education and financial inclusion. The Bank of Albania has listed financial education among its medium-term development priorities, as it believes that a financially well-informed public better understands the decisions of financial institutions and therefore strengthens trust in them. Financial education is essential for making informed decisions and controlling risks for each individual, especially with the increasing complexity of financial services and technological innovations. She invited all participants to be active in their efforts to increase the financial well-being of Albanians.

Next, the Deputy Minister of Finance and Economy, Mr. Yzeiraj, welcomed the fulfillment of the objectives of the National Strategy for Small Payments, which have helped to expand the financial inclusion of the population and reduce the use of physical money. He expressed the Ministry's support for the projects undertaken by the Bank of Albania for the regulatory changes required within the SEPA membership, an important objective of the Albanian government in the political agenda of European integration. Also, Mr. Yzeiraj appreciated finding a solution for fast payments, as an instrument which will enable the development of other related government projects, such

as the one on e-commerce, full digitalization of fiscalization and digitalization of services in e-Albania.

After the welcoming speeches, the meeting continued with discussions at the technical level.

In the first panel, the discussions focused on the measures taken so far within the regional Western Balkans payment modernization project, which was presented by the Director of the Department of Payment Systems, Accounting and Finance, Ms. Ledia Bregu. In her presentation, Ms. Bregu highlighted the achievement of the objectives set in the National Retail Payment Strategy (2018-2023), both in terms of regulatory improvements and in terms of new infrastructures. The measurable (quantitative) objectives of the Strategy have been achieved or exceeded. Already almost 69.88% of the adult population owns an account, compared to the target of 70%, and the use of electronic payments per capita is 17.9 payments, exceeding the target of 10 payments by the end of 2023. Ms. Bregu continued her presentation with the measures undertaken for the Western Balkans Regional Project as well as the main pillars for its successful implementation.

The priority in this project is the preparation of Albania for an accelerated membership in the Single Euro Payments Market (SEPA), where the criteria for expanding the geographic scope of the Single Euro Payments Area (SEPA) have been determined by the European Payments Council (EPC) and the assessment of compliance with the SEPA participation criteria are undertaken by the same entity. After discussions and analysis with the World Bank, it is estimated that Albania is significantly advanced in the approximation of legislation, which is a criterion for acceptance into SEPA. Also, the Bank of Albania has intensified its efforts together with the World Bank and the Banca d'Italia for the implementation of the *Instant Payment* system in Albania. Ms. Ledia Bregu also presented a recent initiative that aims to promote electronic payments, the local QR Code standard, which aims to support future developments in the digital agenda, as well as facilitate the interaction of payments within the country and with the region and the EU. Mrs. Bregu closed the presentation by emphasizing the four main work priorities of the Bank of Albania in the field of payment systems in the medium term: SEPA, *Instant Payment*, *Upgrade* of the Payment Systems operated by Bank of Albania and Financial Education.

The presentations continued with the representative of the Bank of Italy, Mr. Giuseppe Bruni, who introduced the attendees to the proposal of the Bank of Italy for the creation of a system for fast payments in Albania. This system will be a copy of the TIPS system operated by the Eurosystem for fast payments. Although with smaller processing capacity, the proposed clone system will have the same functionalities and interfaces as the TIPS system, making it possible for the local system to be easily integrated with the TIPS system in the future. The rules and protocols to be followed by the local payment system will be the same as TIPS. The main advantages of adopting the system through the Banca d'Italia lie in implementation costs and know-how. The Bank of Albania will be in the role of business operator, while it will benefit from the technical support of the Bank of Italy. The entire relevant community will be instructed in the use of the system, being prepared for the use of the Eurosystem payment system in the future.

The representative of the World Bank, Mr. Matija Laco, presented on the advantages of participation in SEPA, the criteria for membership in SEPA and the fulfilment of the conditions by Albania. Participation in SEPA is expected to increase the efficiency of making payments, the comfort of their execution and the reduction of costs. SEPA membership requires alignment of the regulatory framework, an aspect in which Albania has a satisfactory level of completion. A good part of the regulatory framework is aligned, while there is still a part to be implemented in the future. Mr. Laco emphasized that the implementation of an infrastructure for instant payments reinforces the advantages that can be obtained from the membership of SEPA, so the project of instant payments should be carried out simultaneously. The World Bank will assist the entire membership process for all Western Balkan countries.

The second panel focused on the latest infrastructural developments in the domestic market – Open-Banking and Up-grade of AIPS, AIPS EURO and AECH payment systems.

Mr. Deniz Deralla, director of the Supervision Department, presented the progress of the process of updating bank systems to respond to the requirements of the regulation " On strong customer authentication and common, open and secure standards of communication" which was approved in June 2022, and enters into force in 01.01.2024. An issue of particular interest is the regulation of communication for APIs - Application Program Interfaces and the concept of open banking and on deep authentication of the client, these elements that complete the entire framework necessary for the promotion of innovation in the market. Also in his speech, Mr. Deralla determined that the subject of this regulation, in addition to banks, will be Payment Institutions and Electronic Money Institutions. These are expected to apply to register their services with the Bank of Albania, as the Law "On Payment Services" allows the concept of payment initiation service providers and account information service providers as important parties in Open Banking. In addition to the benefits and disadvantages of implementing API and open-banking, Mr. Deralla also mentioned the possible solutions that can be offered to banks and non-banks regarding data security since the regulation allows payment service providers for account service that provide a payer with an accessible online payment account, the possibility of choosing between: i) a dedicated interface for communicating with account information service providers, payment initiation service providers and payment service providers that issue payment instruments card-based; or the use by the above payment service providers of the interfaces used for authentication and communication with the payment service users of the payment service providers for the account service. In any case, the interfaces must follow the communication standards applicable in the European Union.

Mr. Deralla said that the banks have taken measures to meet the requirements of the regulation; they have selected providers to enable Open Banking; some have updated their systems, while some are in the process of updating, and some banks have tested them. However, the banks have encountered some problems for the implementation of Open-banking which they are addressing and only few banks are ready to go live in compliance with the regulation on January 1, 2024. Mr. Deralla closed his presentation by encouraging the banks to complete the necessary updates in their IT systems as soon as possible, as well as to make maximum use of the time frame allowing up to the 6-month period in the sandbox environment and the necessary testing to enable them

going online at the end of the period. In the meantime, they must take measures to be equipped with qualified certificates for electronic seals, for a full implementation of the requirements of regulation 29/2022. He invited the payment and electronic money institutions to provide the payment initiation service (service no. 7) and/or the account information service (service no. 8), in order to put Open-Banking into operation.

The discussions of this panel ended with the presentation on infrastructural developments for the up-grade of the AIPS, AIPS Euro and AECH systems enabling migration to the international communication standard ISO 20022, as well as with the creation of other facilities that support the objectives of the National Retail Payment Strategy, presented by Ms. Valentina Semi, Deputy Director at the Department of Payment Systems, Accounting and Finance.

Mr. Semi emphasized that one of the main objectives of the project, in addition to improving the technical infrastructure for Payment Systems in order to increase security and efficiency, is the implementation of message processing standards (SEPA/ISO 20022), which will also accommodate many of the necessary strategic developments of Bank of Albania. The innovations brought by this upgrade of the AIPS and AECH systems will improve the administration of the required reserves as a more flexible administration mechanism and variable retention period, differentiations in the determination of interest rates, reserve rates and penalties according to the participants will be applied.

Such flexibility helps to expand the range of instruments for the implementation of monetary policy. Also, the upgrade of the AIPS system will implement the functionality for calculating the remuneration of funds for settlement accounts. Regarding the upgrade of the AECH system, Ms. Semi said that the AECH system will be implemented and will be compliant with the ISO 20022 XML standard, as well as compliant with the SEPA set of rules for Credit Transfers and Direct Debits. Also, a very important aspect after the upgrade of the AECH system is the provision by the AECH system of functionalities for the administration of the process of clearing and settlement of transactions for indirect participants as well as the mitigation of liquidity risk through the automatic "rewind" mechanism.

At the end of the presentation, Ms. Semi mentioned the importance of this project for the realization and implementation of the Instant payment project, participation in SEPA, and the materialization of the Retail Payments Strategy. She asked for the establishment of an interbank working group to cooperate and communicate continuously until the tests are completed and the upgrades go live according to the established deadlines.

The last panel of the meeting was dedicated to Financial Education. In this context, a presentation was held by Mr. Altin Tanku, Director of the Research Department at the Bank of Albania, who presented the Bank of Albania's strategy for education and financial inclusion.

Mr. Tanku cited that this Strategy comes as a necessity to further increase the financial culture and the use of regulated financial services given the ongoing sophistication of the financial sector and new risks for the consumer. Financial education can address barriers to demand, such as a

lack of trust in the financial system, and as trust in the financial sector increases, individuals become familiar with the various products and opportunities, and begin to access and use them. The strategy has been drawn up based on the results of the fourth Survey on the Measurement of Financial Culture and Inclusion. The results of future surveys will serve to measure and monitor the impact of educational activities in the reference period and to instruct on the strategy in the future.

The ninth meeting of the National Payment System Committee concluded with the chairman Ms. Minxhozi wrapping up main points of discussion as well as giving **recommendations** for the way forward. Ms. Minxhozi highlighted with particular importance the need to intensify coordinated efforts from all members of banking community and those of financial services in general to financially educate the general public aiming to increase its financial culture. Education should start at the base by communicating with banking clients, and then try to reach out to those who do not have access to financial services. Our efforts to modernize the payment system should go hand in hand with improving financial education. Expected developments in the payment systems aim to increase the efficiency, simplicity and access to payment services. These objectives should be promoted extensively to the public. Our ambitious projects regarding membership in SEPA and the implementation of instant payments are milestones in the history of improving payment services in the country, hence serious commitment, close cooperation and full support from the community represented in this Committee is required to complete these projects in due time. Bank of Albania will continuously inform on their progress and shared responsibilities. In the following days, Bank of Albania will also ask from the participants to nominate representatives in the Working Group for upgrading AIPS, AIPS-EURO and AECH systems.

Members and participants in the 9th meeting of NPSC

9th meeting of NPSC			
Institution	Name of Member	Status in NPSC	Other representatives of the institution
Bank of Albania	Ms. Luljeta Minxhozi, First Deputy Governor	Chair	Mr. Altin Tanku Ms. Jonida Kacani Ms. Elona Dushku Ms. Xhilda Kanini Ms. Doriana Lama Ms. Amela Mehmeti Ms. Evis Çeli Ms. Edlira Hoxha Ms. Armida Isakaj Ms. Arlinda Kolenico Mr. Gerti Myrselaj
	Ms. Ledia Bregu, Director, Department of Payment Systems, Accounting and Finance	Deputy Chair	
	Mr. Deniz Deralla, Director, Supervision Department	Member	
	Ms. Valentina Semi Deputy Director, Department of Payment Systems, Accounting and Finance	Member	
Ministry of Finance and Economy	Mr. Endrit Yzeiraj Deputy Minister	Member	
Albanian Financial Supervision Authority	Ms. Flora Musta	Member	
Albanian Association of Banks	Mr. Spiro Brumbulli	Member	Ms. Eftali Peci
Paylink	Ms. Eneida Thomaj, CEO of Paylink	Member	
Financial Union of Tirana	Mr. Elton Çollaku, CEO of UFT	Member	Ms. Eriona Miraka Mr. Dalip Bali
ALREG	Ms. Silva Serjani	Member	
Easy Pay	Ms. Linda Shomo CEO of EASYPAY	Member	
MPay	Ms. Bora Feri	Member	
Rubicon	Mr. Gentian Dekovi	Member	
OTP Bank Albania	Ms. Irida Huta	Member	Ms. Ada Naqe
NOA	Mr. Ervin Gogaj	Member	
RPAY	Mr. Noel Shehu	Member	
Tirana Bank	Ms. Najada Xhaxha	Member	Ms. Eni Nesturi
UBA Bank	Ms. Alma Beja	Member	Mr. Ermal Husha
Raiffaisen Bank	Ms. Resmi Hibraj	Member	Ms. Gentiana Gjino
Procredit	Ms. Elena Jaku	Member	Ms. Uarda Dosti

Intesa San Paolo	Ms. Xhilda Shehu	Member	Ms. Luci Shiroka
FIB bank	Ms. Ines Vucini	Member	Ms. Elona Labinoti
Credins Bank	Mr. Dimitri Toslluku	Member	Ms. Suela Cela
Union Bank	Ms. Fatbardha Rino	Member	Ms. Valbona Cucka
ABI Bank	Ms. Odeta Paloka	Member	Ms. Edlira Madhi Ms. Majlinda Miho
Ak –Invest	Mr. Blend Pustina	Member	
e-Reja	Mr. Geis Ceku	Member	
FED invest	Ms. Liliana Nanaj	Member	
IUTEPAY	Ms. Stela Shkodrani	Member	
E-PARA	Ms. Gentiana Gjonça	Member	
AMA	Mr. Junid Tafaj	Member	
World Bank	Mrs. Edlira Dashi	Member	
Posta Shqiptare	Ms. Nevila Bejler	Member	