

Chapter 5. Other Bank of Albania activities

5.1. PAYMENT SYSTEM DEVELOPMENTS

The main strategic mid-term target of the Bank of Albania on payment system is the increase of currency in circulation through all operating banks in the system and the reduction of cash quantity in economy, consequently.

Achieving this target is closely connected with the rate of the customer relationship with banks, culture and tradition as well as with development of the necessary infrastructure. For these reasons, as well as for achieving it, the Bank of Albania will concentrate the work on some main bearings: **first**, access in the use of new instruments; **second**, the improvement of the payment system; **third**, the enhancement of inter-bank payments, dealing with small value payments.

5.1.1. OVERVIEW.

Year 2000 was characterised by the efforts to :

- A. Present *new payment instruments*, through concluding agreements for acknowledgement and uses the “*order for direct debiting*” and “*order for periodic payment*”.
- B. *Reduce time for processing banking documentation*. For this, it was signed an arrangement for unifying terms of processing banking instruments, payment orders and checks, between the second-tier banks and the Bank of Albania.
- C. Standardise payment instruments in use. The year 2000 marked the initial functioning of the agreement “On unifying payment orders and checks” as a step ahead to international standards.
- D. Compile the regulatory basis for the new instruments and improve the current regulatory framework. More concretely:
 - * It was prepared the regulation “On electronic payments” where were specified the required criteria that must be met, so that the new electronic instruments conduct certainty and efficiency to use for customers, higher productivity and security for their issuers;

- * It was revised the regulation “On managing reserve accounts of second-tier banks”. This Regulation provides a new facility to second tier banks with respect of managing their liquidity availing them up to 5 per cent usage of required reserve held with the Bank of Albania.

In 2000, it was realised the study on automation of clearing as core element of payment system, directly related to the bank’s customers, individuals and Albanian businesses. Its organising in Tirana was considered as most appropriate for the current operating conditions of banking system and the concentration of business companies. Concentrated clearing is a continuity of the current clearing which also bears even the following advantages, it:

- * Enables the enhancement of automation by minimum expenses and raises the security of enhancement clearing operations, without bringing big changes in the current practice used by participating banks on this end.
- * Does not conduct changes in organising courier services, which will be functioning for the collection and transport of paper instruments;
- * Affects the velocity of performing payments and payment orders, although it does not convey any positive effect in the velocity of processing checks.
- * The electronic transmission of clearing results would help automated banks to reconcile easily their internal accounting system.

5.1.2. PAYMENT INSTRUMENTS

In 2000, the most frequently used instruments by bank customers were payment orders and checks, by 7 per cent increase compared to the previous year. Thus, the value of transactions cleared through clearing sessions during 2000 was Lek 54.4 billion (about US\$ 381 million³⁰), representing 5.9 per cent of the total value circulated in bank accounts. Interbank transactions carried with second-tier banks also occupy the same weight and value. All banks circulated value for 2000 is Lek 913 or US\$ 6.4 billion. The volume of clearing transactions for year 2000 was 8.7 per cent higher compared to 1999. The largest growth was by payments performed through payment-orders, reaching the value of Lek 28.04 billion (\$196 million) or representing 9.3 per cent higher compared to 1999.

³⁰ Lek exchange rate to USD is that of 2000-end, 1 USD = 142,64 Lek.

Table 48. The volume of transactions cleared in clearing sessions during 2000.

Instrument	Number (in physical units)		Value (in billion Lek)	
	1999	2000	1999	2000
Pay orders	53 357	57 500	25.6	28.0
Cheques ³¹	6 000	6 500	24.4	26.3
Total	59 357	64 000	50.0	54.4

Table 49. The average value of payment instruments (in million Lek)

Instrument	Average value per instrument		Average monthly value	
	1999	2000	1999	2000
Pay orders	0.5	0.5	2 136.8	2 336.7
Cheques	4.1	4.1	2 031.0	2 195.3
Total			4 167.9	4 531.9

³¹ Banking checks and personal checks are included in "Checks" group.