

## CHAPTER VI: OTHER ACTIVITIES OF THE BANK OF ALBANIA

### I. PAYMENT SYSTEM

The Bank of Albania has as legal duty the incitement and the support of the payments system. For this, it has been engaged either in the operating plan as the only clearing and settlement institution of all Lek transactions or with the respect of inciting reforms in the payments system.

#### I.1. PROJECTS FOR THE DEVELOPMENT OF THE PAYMENT SYSTEM

The Bank of Albania continued attempts for building a safe and efficient Payment system, in compliance with the 10 Core principles on important payment systems defined from BIS/CPSS. As a result, the payment system has recognized developments, either in the operating or regulatory aspect.

In 2002, the Bank of Albania channeled its work with respect of the modernization of payment system, operating framework by their important projects,

##### o **ATM project**

In 2002, the implementation of a new accounting system, ATM (*Accounting and Treasury Management*) was over, aiming at the automation of central bank operations. The installment of this internal system at the Bank of Albania brought important benefits to interbank payments system. First the system offers possibilities and fast and safe means for processing and executing the interbank payments, monitoring the liquidity of commercial bank accounts and the exchange of information from participants in the system. Second, ATM system comprises a necessary infrastructure for the future systems to be applied at the Bank of Albania, and specifically for RTGS system that will perform the settlement of payments by the commercial bank accounts held with the Bank of Albania.

##### o **RTGS system**

RTGS (*Real time Gross Settlement*) project aims at implementation of a new Real Time Gross Settlement System for interbank payments at a gross value. The most important achievements for 2002 are the finalization of the designing system (the definition of technical and functional specifications).

##### o **ACH project**

The Bank of Albania contains in its plans the application of a new *Automated Clearing House (ACH)*. This system intends the automation of the clearing service that the Bank of Albania offers to commercial banks for processing payments to clients. The implementation of this system shall bring significant benefits to the national payments system, with respect to improving accuracy, speed and reduction of their processing costs. In 2002, the Bank of Albania defined the phases, through which the implementation of this system will run through, the time, and the means to attain this. The first phase consists of the finalization of a complete analysis of the current situation to identify prospect troubles and trends. In 2002, it was reached the selection of Consultant Company that will assist the Bank of Albania in the completion of this phase of the project. The World Bank will financially support such consultancy. The second phase of the project consists in the implementation of the ACH system, which will be efficient after the termination of the RTGS system.

## I.2. CLEARING SERVICE

The Bank of Albania provides **clearing** of interbank payment instruments in Lek, since 1997. These are mainly small amount payments initiated by clients.

In 2002, the total value of cleared instruments was nearly Lek 72,7 billion, marking 17.6 percent rise compared to 2001. Such constantly growing trend of using non-cash instruments indicates an ever more greater approaching of customers to banks.

**Table 54: The value of payment instruments cleared by the Bank of Albania clearing service, in billions of Lek.**

	1998	1999	2000	2001	2002
Payment -orders					
Checks	22.5	25.6	28.0	32.9	40.9

The most applicable instrument by the clients is the payment order. In 2002, interbank orders increased by 24 percent compared to 2001.

## I.3. INTERBANK PAYMENTS

The Bank of Albania has constantly offered the settlement of interbank payments to commercial banks. These payments are a relatively large value and are mainly sourced from interbank transactions.

In 2002, interbank activity marked the highest increase, either in value or volume. The total value of transactions in commercial banks accounts in Lek held with the Bank of Albania reached at Lek 2339 billion, comprising 23 percent rise compared to 2001. Interbank payments comprise the largest number of these transactions, sharing 26 percent of the total number.

**Table 55: Cleared transactions by the interbank payments system in Lek, per 2002.**

	Number	Value (in billions of Lek)
Interbank payments	3,624	389.8
Clearing	2,906	42.3
Cash	1,949	78.2
Government	3,465	1,022.8
Central bank	2,346	804.0

**Cleared transactions by interbank market in Lek, for 2002**

