

CHAPTER V. OTHER ACTIVITIES

V.1 THE PAYMENT SYSTEM

The stimulation and the support of payment system are considered as legal obligations of the Bank of Albania. As the very institution that performs account settlements, the Bank of Albania is fully committed to expanding the operational area as well as promoting technological innovations in the payment system.

V.1.1 DEVELOPMENT OF THE PAYMENT SYSTEM

The new Accounting and Treasury Management (ATM) system – implemented in the last quarter of 2002 to automate operations conducted by the Bank of Albania – eased the finalization of the last project phase, the implementation of **Albanian Inter-bank Payment System (AIPS)**. This project, which is expected to upgrade the financial infrastructure of the country, was backed up by the counseling and assistance of the World Bank. It took seven months to be fully implemented requiring intensive involvement not only of the Bank of Albania staff, but full participation of commercial banks, which are the eventual beneficiaries of this project.

The new AIPS system holds the entire standard functions to process Real Time Gross Settlements (RTGS). This system irreversibly processes all inter-bank transfers in domestic currency checking in real time whether the banks have sufficient coverage for them or not. It offers to participants the possibility to manage the preferred queue of their transfers and their own liquidity.

The Bank of Albania is the owner, the main operator and at the same time one of the participants of this system. The system numbers twelve participant banks from a total number of fifteen licensed banks. All the licensed banks have the right to partake in AIPS system once they receive the membership certificate from the Bank of Albania. The participating and service fees and charges are set to cover operational expenses, as a contribution fund to the general reform of the national payment system, although investment costs are fully covered by the Bank of Albania.

The AIPS system is fully compatible with other payment systems such as the cheque and payment-order clearing system, a system implemented the by Bank of Albania to clear and settle cheques and small payment transfers. This is the system that processes interbank transfers ordered by banks' clients. The clearing process is carried out on a daily session organized by the Bank of Albania. The net result of this clearing procedure is then processed with high priority in the AIPS system.

One of the future projects designed by the Bank of Albania is the complete automation of the cheque clearing process to be introduced by a new system, the **Automated Clearing House (ACH)**. This new system, which will process cheques and the small transfers clearing and settlement, is going to be fully integrated into the AIPS system.

V.1.2 INSTRUMENTS OF PAYMENT

2003 was another year that evidenced the payment order as the most used payment instrument. It counted for 77 per cent of the total payment volume and 53 per cent of the total payments ordered by clients.

Using cheques as a means of payment remains limited stressing thus the fact that cheque is still considered an uncomfortable means of payment in Albania. Hence, the most preferred type continues to be the bank cheque.

Year 2003 evidenced a general tendency to improve the payment infrastructure by increasing investments in the field. The highest funds were concentrated in introducing electronic means of payment. The number of Automatic Teller Machines installed during 2003 amounted to twelve, partly in Tirana and the rest in other Albanian cities.

The number of debit and credit cards in domestic currency issued in 2003 summed to 4,300. Nevertheless, the practice of electronic payment means count for only three per cent of the total payment volume ordered by clients.

V.2 EU INTEGRATION AND RELATIONS WITH INTERNATIONAL FINANCIAL INSTITUTIONS

V.2.1 EU INTEGRATION

Year 2003 is regarded as a remarkable year in the European integration process since January 2003 marked the start of the official negotiations to sign the Stabilization and Association Agreement between the European Union and Albania. The Bank of Albania has played an active role in this process as a member of the Albanian Government negotiation team. The main task assigned to the central bank was the coordination of respective roles played by the country institutions in the negotiation process.

In this respect, the Bank of Albania has been active in discussing some of the articles of this agreement, which deal with:

- establishment of banking institutions and the activities allowed to be conducted by these institutions,
- capital account liberalization as the main provision for economic integration in the common European market,
- prevention of money laundering.

Furthermore, the Bank of Albania offered its contribution to the process by providing information to the European Commission concerning: the economic developments of the country, the design and implementation of monetary policy tailored to achieve the main objective – price stability, the stance of monetary policy and the conducted operations, banking system and banking supervision, etc.