

## **Ahmet Ismaili: National Payments Council – re-establishment and opening meeting for 2024**

Speech by Mr Ahmet Ismaili, Governor of the Central Bank of the Republic of Kosovo, at the National Payments Council – re-establishment and opening meeting for 2024, organised by the Central Bank of the Republic of Kosovo, Pristina, 31 January 2024.

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Dear Mr. Murati, Minister of Finance, Labour and Transfers

Dear members of the CBK Board

Dearest Mr. Albertine from USAID in Kosovo

Dear representatives of the EU Office, Madsen

Dear representatives from the Embassy of Switzerland

Dear representatives of the IMF and the World Bank

Dear representatives of VISA and Master Card

Dear heads of banks and financial institutions

Representatives of government institutions

Highly respectable attendees

Ladies and gentleman,

First of all, let me thank you for your participation in this event organized by the Central Bank of the Republic of Kosovo regarding the re-establishment of the National Payments Council in order to support reforms in the field of payments through the expansion of inclusion and increased cooperation between the actors of market in the payment system in the Republic of Kosovo.

As you have been informed, this event aims to:

- Reorganize and operationalize the National Payments Council (NPC), respectively, expand the membership of the NPC as an advisory body in support of reforms in the field of payments and increasing the safety of the National Payment System;
- Update on legal and technical infrastructure developments in the field of payments, as well as developments in processes and plans for the advancement of the legal framework and technical infrastructure of the payment system and services; and
- Define a national plan for financial inclusion and reducing the use of cash, where the activities of the stakeholders will be defined and agreed to increase access, use of payment accounts and instruments of electronic payments and the

reduction of cash, in order to reduce the cost of payment services for the most efficient flow of transactions as well as other positive effects on the economy.

In this dynamic of world development, our financial system is also facing a rapid change in the field of innovation and migration towards digital payments.

A sound and efficient payment system supports the further development of financial intermediation and the increase of financial stability thus creating a climate in which investors can expand their businesses. A developed financial payment system where payments are made in a cost-effective and time-efficient manner makes trade cheaper and enables competitive businesses to grow and provide consumers with easier access to goods and services.

At the same time, a developed Payment System ensures the protection of the integrity of the financial system and the Euro currency, the reduction of negative effects from the phenomenon of money counterfeiting, consumer protection and the advancement of market practices, reduction of the effects of money laundering activities and terrorism financing, increased access to financial services and financial inclusion.

In line with the Stabilization-Association Agreement and the Berlin Process, the reform process and the advancement of the Payment System through the Development of Local Instant Payments and the integration of the payment system at the regional level will also accelerate access to the Single Euro Payment Area of the European Union known as SEPA. This is tasked with effectively bringing domestic and cross-border payments within the EU to the same level of cost, time efficiency and security as well as access to the EU's Instant Payment System known as TIPS which is part of the Eurosystem since 2018. This enables payment service providers to offer funds transfers to their customers in real time and around the clock, every day of the year, where individuals and businesses can transfer money between each other within seconds, regardless of their local bank's business hours. Even the latest regulation for cash operations marks a very big advance in terms of alignment with the requirements and standards for membership in SEPA, as well as TIPS.

Therefore, the CBK has started taking actions within the Strategic Plan 2024-2028 for the activities that are planned and related to the field of the payment system, which are as follows:

- Advancing the legal and technical infrastructure of the CBK for membership in the SEPA Payments Scheme and access to the EU Instant Payments System (TIPS);
- Developing the technical infrastructure for enabling instant payments 24/7, creating the national QR Code and the standardization of the API for the interconnection of systems;
- Reducing cash payments and promoting electronic payments;

While for two of the following activities we already have developments, such as:

- Creating opportunities for access to the payment system of non-bank service providers, as well as enabling the possession of IBAN, to increase access to finance, within the "payment account" concept, where we have approved the regulation,

Also today, we are carrying out the foreseen activity:

- Empowering the National Payments Council as an advisory body for joint actions regarding the digitization and standardization of payment systems and instruments;

The advancement of the Payment System presents significant challenges both from the perspective of the CBK and from the perspective of banks and non-banking financial institutions and requires close cooperation and coordination.

But, allow me to announce some activities that CBK has undertaken in order to develop the Payment System:

- Participation in high-level meetings at the European Central Bank (ECB) in Frankfurt, with the governors and deputy governors of the six countries of the Western Balkans, regarding the integration into the European System of Central Banks, namely the SEPA payment scheme and the Instant Payment System TIPS, where the ECB, within the framework of supporting the EU project for the Modernization of Payment Systems of the Western Balkan countries and the objectives of the G20, supports concrete initiatives such as the interconnection of payment systems and the inclusion of our region in the European Union systems and is continuously in touch for further developments.
- It has changed the Organizational Structure where, in addition to the Analysis and Oversight of the Payment Systems Division, the IP and IPE has been added to the MFIs /NBFIs Supervision Division, the IT Systems Supervision Division has been established, within the Credit Registry Division was added the Bank Accounts Registry, as well as the Department of Consumer Protection was established where, in addition to the Financial Services Consumers Complaints Division, the Market Conduct Supervision Division was also established.
- It has proceeded further with the Draft Law on Banks, already in public consultation, which, together with other laws, will complete the financial ecosystem in a complementary way.
- The draft Law on Payment Services is in the process of finalization, in compliance with EU Directives such as PSD2 (Payment Services Directive 2), EMD (E-money Directive), PAD (Payment Account Directive), and Interchange Fees.
- It is in the process of building infrastructural capacity and human resources to ensure that systems, equipment, knowledge, skills and personnel tools remain relevant and effective in overseeing the risks of new technologies and innovative business models.

Also, financial institutions licensed by the CBK, in order to advance the payment system and increase the quality and efficiency of payment services for their customers, are encouraged to:

- Invest in infrastructure and build human capacity;
- Advance risk management policies, procedures and processes;
- Address cyber risks through close cooperation with the CBK and state authorities responsible for cyber security at the state level.

Financial education will be the focus of the CBK, alongside the advancement of market practices and consumer protection. Therefore, campaigns will be organized and supported for the financial education of users of payment services regarding the benefits, implementation method, safety and importance of digital/electronic payments.

Expanding physical and hardware infrastructure, expanding access to finance and inclusiveness are also intended to be achieved through this modern mechanism, which gradually puts us on the path to a cashless economy, and an integrated system of instant payments, 24/7. To achieve this, commitment and coordination is required from everyone, so once again thank you all for your presence and your institutional and personal contribution.

On this occasion, I take the opportunity to thank the international partners such as the IMF and the World Bank, for the cooperation and coordination with the Ministry of Finance, Labour and Transfers, for the technical assistance given to the CBK over the years, as well as for supporting us in recent years through the Remittances and Payments Program financed by SECO and the Project for the Modernization of the Payment System of the Western Balkan countries under the administration of the Regional Cooperation Council (RCC) and financed by the European Union

Also, allow me to thank the American Government and its institutions, especially the US Department of the Treasury and USAID, for the continuous support given to the CBK in building capacities for various fields related to the mandate of the CBK and especially for the projects that we have in the process related to the field of access to finance and the development of the capital market.

Let me conclude by reiterating that the advancement of the national system through the possibility of "instant" payments (24/7), as well as the interconnection to the TIPS system, as an objective of the CBK, when achieved, will have a great impact on the economy of our country, the region, the diaspora, as well as the circulation of payments for commercial exchanges with the EU, as the largest commercial partner of the Republic of Kosovo with an importance for the free movement of capital, services and products, including the free movement of people from Kosovo through visa liberalization that started from 1 January of this year.

Given that the NPC has already expanded, and has a composition that reflects the financial system and the economy as a whole, I consider that we have an opportunity to coordinate the approach and policies to achieve a development that substantially changes the situation, brings us to a new level, and much closer to our objective of rapprochement with the European Union.

I wish you good work and fruitful discussions!