

Gent Sejko: Address - 10th meeting of the National Payment System Committee

Address by Mr Gent Sejko, Governor of the Bank of Albania, at the 10th meeting of the National Payment System Committee, Tirana, 5 December 2024.

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Dear representatives of financial community in Albania!

It is always a pleasure to participate in the meeting of the National Payment System Committee, this year celebrating its 10th anniversary.

As the chair of this Committee specified, the revolution taking place over the past decade in the payment area in Albania has profoundly transformed its every aspect. The Bank of Albania has guided this transformation, while showing proactive in regard to technological changes in the international payments environment, and leading the market towards the controlled adoption of these alterations.

From the regulatory perspective, we succeeded in aligning our framework with that of the European Union for payment services. From an operator's perspective, we have provided the establishment of new payment infrastructures, such as the AIPS Euro system, as well as the optimal operation of the national payment systems. From the perspective of a catalyst, we have been quite active in advocating the ambitions of the payment industry to implement the best practices for secure, efficient, and transparent payments.

The establishment of the adequate environment has motivated payment service institutions to expand further coupled with the increase in the variety of products offered to the public. The latter has benefited from lower costs, tailored products to needs, and enhanced access to payment services, which has been reflected in an increase at a double-digit rate in the use of electronic payments, reaching 21 electronic payments per capita, compared to only 2 payments in 2015. The costs of conducting bank transfers for electronic payments in lek have been reduced by up to 50%. At the same time, the use of the AIPS Euro system for domestic euro transfers is estimated to have saved clients above EUR 90 million since its start of operation in 2022, with the costs of transfers about five times lower, and the execution timeframe on the same date.

Today, I would like to focus on two crucial moments that have crowned the Bank of Albania's multi-year work as a catalyst for developments in the digitalization field.

First, as you already know, on 21st November of this year, the European Payments Council approved the inclusion of Albania in the geographical scope of SEPA payment schemes. This decision marks a political achievement at the national level as a concrete step towards integrating the country into the European market. Under the guidance of the Bank of Albania and in close cooperation with other public institutions such as the Ministry of Finance, the Ministry of Justice, the Ministry for Europe and Foreign Affairs, the Financial Intelligence Unit (FIU), etc., the application was submitted to the EPC, which demonstrated that Albania has a high level of legal compliance with

that of the European Union. While we have accomplished the first step towards membership in the SEPA jurisdiction, the concrete economic benefits from this decision will be multiple. First, savings that will be generated from membership in SEPA for economic actors will amount to around EUR 20 million only in the first year, resulting from the reduction of fees. Second, the establishment of a supportive environment for key sectors of the economy, such as trade, will facilitate transactions with our main European partners, in addition to enabling for Albanian businesses potential access to a market of 500 million people. Third, a significant impact is also expected in tourism sector, as well as in remittances from emigrants and direct investments, which generate a considerable contribution to the Albanian economy.

However, these benefits will be visible once each financial institution applies and joins the SEPA schemes individually. In this view, financial institutions are required to be technically capable of connecting to these schemes. Absolutely, this will need investments, which, in our judgement and yours, fully justify the benefits that the Albanian economy will have from direct participation in SEPA. In this case as well, the Bank of Albania will guide the process and support financial institutions to fulfil the SEPA technical criteria.

Today, I take the opportunity to encourage you to begin comprehensive and devoted preparations to meet the deadlines of the respective regulations, so that you can achieve membership in the SEPA schemes and carry out SEPA transactions for clients within the next year.

The second important development I would like to focus is "open banking".

As you are aware, after the entry into force of the Law on "Payment Services", the Bank of Albania has compiled and approved the entire regulatory framework for the implementation of this law. The new legal and regulatory framework paved the adequate terrain for the implementation of open banking in Albania. The Bank of Albania has continuously collaborated - throughout this process - with domestic authorities, such as the National Agency for the Information Society (NAIS), the National Cyber Security Authority (NCSA), the Albanian Association of Banks (AAB) and bank experts. On the other hand, market actors have also taken steps to operationalize and make open banking functional in practice.

Thus, in November 2024, upon meeting the legal and regulatory requirements, the Bank of Albania approved for the first time the activity of open banking by granting the first license to one of the electronic money institutions operating in Albania. Also, currently, applications from several other entities are in the process of being reviewed to receive approvals to conduct the open banking activity.

I would like to point out that the citizen is at the heart of this initiative, as it empowers them with more choices to make simpler, faster, and lower-cost payments and transfers. Therefore, the Bank of Albania encourages applications from financial institutions to obtain open banking license, aimed at providing greater added value for Albanian citizens in their daily financial activities. The operationalization of open-banking is the first and fundamental step towards the functioning of open-finance, which will enable the digitalization of lending, investments, and other financial services for clients.

In addition to personal benefits for the consumer, on a broader context, this innovation brings many advantages on the path to the formalization of the economy and in enhancing financial inclusion. The Bank of Albania will always remain a promoter of advanced initiatives and innovations that time demands for the growth of the Albanian society well-being.

Dear participants,

Following the long-standing global trends for the inclusion of digital transformation in the financial industry, the legal and regulatory framework in the Republic of Albania has also been amended in a timely manner and at the right speed in this regard.

In this context, the Bank of Albania encourages banks to be as oriented as possible towards innovative projects, which aim to offer and increase the volume of remote banking services, particularly those with a direct impact on facilitating financial inclusion, or simply, the opening of a bank account remotely. Investments in these initiatives yield mutual benefits, both for banks and for clients and the public in general, in terms of reducing costs, saving time, and increasing customer satisfaction, consumer's education and development, as well as optimizing work processes.

Certainly, advancing in this regard triggers a particular challenge. Consequently, the implementation of digitalization strategy must be secure, yet cautious, keeping in consideration the need to safeguard a balance between providing the best customer experience and ensuring the security of services.

Confident in our common vision and joint commitment to progress, I invite you to work with dedication towards building a better future for the economy and citizens of Albania.

Thank you!