

Anita Angelovska Bezhoska: Technical and legal aspects of joining SEPA payment schemes

Speech by Ms Anita Angelovska Bezhoska, Governor of the National Bank of the Republic of North Macedonia, at the Workshop on Technical and Legal Aspects of Joining SEPA Payment Schemes, Skopje, 29 January 2025.

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Mr. Paolucci, World Bank team, speakers at the workshop, representatives of financial institutions, distinguished guests,

It is a true honor and privilege to kick off this important event on payment systems, a topic that touches nearly every aspect of our daily lives and drives economies forward. In today's rapidly evolving landscape, payment systems are at the core of how businesses, governments, and consumers interact, and in making sure that transactions are seamless, secure and efficient.

In this vein, enhancing cross-border payments has been a priority both for advanced and emerging economies. For instance, in late 2020, the G20 leaders endorsed the roadmap for enhancing cross-border payments, thus bringing benefits through lower costs, faster speed, higher transparency and improved access in the payments area. To monitor the progress, BIS launched a monitoring survey among central banks in 2023, covering three main areas: 1) payment system interoperability and extension, 2) data exchange and message standards, and 3) legal, regulatory and supervisory frameworks. **The findings of the survey¹ reveal that enhancements of the cross-border payments have been underway**, as 71% of RTGS systems and 91% of fast payment systems (FPS) have completed or are planning to complete at least two of the priority actions². Yet, vast room for improvements remains, including in the area of harmonizing or bringing closer legal, regulatory and supervisory frameworks that are indispensable for smooth and efficient cross-border payments.

Enhancing cross-border payments is of vital importance for the Western Balkans economies, as well. This region comprises of relatively small and open economies, with their international trade to GDP averaging close to 100%. Most of them are already highly exposed to EU in terms of trade and financial linkages (close to 60% of their overall export goes to the EU), while intraregional trade needs further deepening. In fact, the latter – enhancement of regional economic integration is the second pillar of the Growth Plan for the Western Balkans.

Stronger regional economic integration is considered one of the driving forces for faster real convergence, as "small and fragmented markets are unable to exploit economies of scale, and suffer from limited attractiveness to investors-³" . Hence, there are no doubts that intraregional economic cooperation can serve as a catalyst for lifting the growth potential of the region. According to some estimates, it can potentially add up to 10% to the WB6 economies⁴. The common regional market is also a critical stepping-stone to the EU's Single Market.

Stronger trade and financial integration must be underpinned by efficient payments system. Lowering the time and costs of payment transactions can lift trade volumes, enhance financial flows and support foreign direct inflows that are inevitable for addressing the structural bottlenecks in the region. Although it is acknowledged that the WB region has made immense progress in the payments system area, yet gaps remain and need to be closed. To address these gaps, the World Bank, in collaboration with the Regional Cooperation Council and Central European Free Trade Agreement Secretariat, embarked on Western Balkans Payments Modernization Project, sponsored by the European Commission. Two main pillars of the project are SEPA accession and integration of the region with the ECB's TARGET Instant Payment Settlement (TIPS) system.

Let me now elaborate more on the expected benefits from joining SEPA. The accession to the single payment area holds immense significance for all stakeholders in our economy. For financial institutions, joining SEPA before becoming EU member, means indirect access to European payment systems, eliminating the need for complex and costly correspondent banking arrangements. This simplification will lead to more efficient, cost-effective, and faster cross-border payments. **For businesses,** SEPA provides a gateway to improved access to the EU market. With standardized and streamlined payment processes, companies can engage in cross-border trade with greater ease, fostering economic growth and regional integration. The World Bank analysis for the costs of euro cross-border payments for micro, small, and medium-sized enterprises in the Western Balkans reveals that it costs approximately 12 times more to transfer €5,000 and 15 times more to transfer €20,000 from the EU to the WB6 than among the EU countries. **For citizens,** SEPA membership translates to a more affordable, convenient, and secure method for conducting euro transactions. Individuals will benefit from reduced fees on cross-border payments, including for remittances. "It has the potential to reduce the cost of remittances to the Western Balkan economies, which currently amount to 6.71 percent of the total transaction, significantly exceeding the global Sustainable Development Goal target of 3 percent. By meeting this target, the economies could save approximately half a billion euros according to World Bank calculations."⁵ **Furthermore, SEPA membership will accelerate the digital transformation of our financial sector.** By reducing reliance on cash transactions and promoting digital payment methods, it will support the development of a more modern, secure, resilient and **inclusive** financial ecosystem.

Recognizing the benefits of joining SEPA, countries in the region have invested tremendous amount of time and resources, while being extensively supported by all stakeholders within the Western Balkans Payments Modernization Project, especially the World Bank. These efforts brought us all either already into SEPA, or very close to a positive decision on joining it.

Related to this, let me elaborate more on our position. We submitted our application for SEPA membership on 10th of July last year. This historic step was the culmination of years of dedicated work, legislative overhaul, inter-institutional collaboration, and support from international and European organizations. Completion of the formal assessment of our application and our readiness to join SEPA by the European Payments Council is expected soon. This will confirm our compliance with

the European legal and regulatory requirements in critical areas, including payment services, anti-money laundering measures, free movement of capital, and data protection. These foundational elements ensure that our country is well prepared to meet SEPA's technical and legal requirements. Having said that, an effective accession will be possible only if domestic payment service providers prepare their systems to meet SEPA's technical and operational requirements.

Therefore, while the benefits of SEPA accession are clear, we must also acknowledge the challenges that lie ahead. Compliance with SEPA's regulatory and operational requirements demands investment in infrastructure, staff training, and system upgrades. The banking sector is expected to work diligently to ensure full readiness for integration with SEPA payment systems by October 2025, determined as SEPA first possible entrance date for payment service providers from the Western Balkan countries being SEPA members.

Of course, the successful implementation of SEPA adherence will require close cooperation between regulators, financial institutions, and all other relevant stakeholders. The National Bank is committed to facilitating this transition. We will continue to provide guidance, technical support, and regulatory oversight to ensure a smooth and efficient integration process. Additionally, we will work closely with the international partners that are genuinely committed to address any challenges. The strong commitment and support has recently led to the formation of a Steering group composed of representatives from relevant EU institutions, who play a key role in the integration process and implementation of SEPA, alongside Governors from the central banks of the region and the World Bank.

At the end, let me use this opportunity to thank our international and European partners for their continuous support, as well as to all the domestic stakeholders, as I have no doubts that we all fully understand the benefits of this project for spurring growth and supporting the overall wellbeing in the economy.

I encourage each of you to take full advantage of the sessions, networking opportunities, and discussions ahead. It is through collaboration and exchange of diverse perspectives that we truly grow and make lasting impact.

Thank you.

¹ "Steady as we go: results of the 2023 CPMI cross-border payments monitoring survey", CPMI Brief No5, BIS, June 2024.

² Refers to the following priorities: Extension of operating hours, allowed access to supervised non-bank providers, implementing at least one cross border link, and processing or planning to introduce ISO 20022 messages.

³ Common Regional Market Action Plan, 2025-2028.

⁴ "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions - New growth plan for the Western Balkans", European Commission, November 2023.

⁵ "Driving economic integration through payments modernization in the Western Balkans", World Bank [Driving-Economic-Integration-Through-Payments-Modernization-in-the-Western-Balkans.pdf](#)