



First project management meeting for reducing cash transactions in Kosovo

Project management group within the National Payments Council
(NPC)

December 2, 2010

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Content



1. Terms of reference and project objectives
2. A presentation on the current situation of cash and non cash payments in Kosovo
3. Other issues and discussions with the project members
4. Next steps

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1. Terms of reference and project objectives

Mr. Robert Wright
CEO Raiffeisen Bank.



2. A presentation on the current situation of cash and non cash payments in Kosovo

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Current Situation

Commercial Banks = **8**
 Bank Branches = **288**
 Microfinance Institutions = **15**
 Money transfer agencies = **5**
 Bank Accounts = **1,369,026**
 E-Banking accounts = **52,158**
 Direct Debit accounts = **1,602**
 Standing Order accounts = **47,530**
 Bank Cards = **525,877**
 POS terminals = **5,751**
 ATM terminals = **392**

* The data were obtained from commercial banks and the CBK for Q3 2010 (<http://www.bqk-kos.org/repository/docs/SistemilPagesave/Tremujor.pdf>)

Current situation of cash and non-cash payments



Description	Nr (Q3/2010)	Value (Q3/2010)
Withdrawals using ATM from bank clients	1,475,860	126,196,236.44
Withdrawals using ATM from clients of other banks	310,775	63,219,461.33
Credit transfers using ATM	48,056	321,972.43
Payments processed using POS from bank clients	385,228	19,041,302.05
Payments processed using POS from clients of other banks	71,541	5,072,608.13
Cash withdrawals at POS terminals	10,972	9,796,326.39
E-Banking transactions	83,185	220,619,029.42
Direct Debit payments (intrabank payments)	5,587	636,513.19
Periodic payments using bank accounts ("standing order")	57,443	11,862,928.82
Intrabank Transfers		
Intrabank Transactions	1,229,082	1,766,678,336.31
Interbank Transfers		
Kos-Giro Payments	112,980	221,613,513.40
Direct Debit Payments	811	563,590.65
Regular Payments	149,958	762,404,116.74
Priority Payments	3,967	140,384,282.03
Massive Regular Payments	765,850	102,718,139.08
Massive Priority Payments	525	327,325.14
Total Interbank Transactions	1,034,091	1,228,010,967.04
International Transfers		
Incoming	44,780	375,861,531.90
Outgoing	34,064	644,560,815.87

* The data were obtained from commercial banks and the ICS system (<http://www.bqk-kos.org/repository/docs/SistemilPagesave/Tremujor.pdf>)

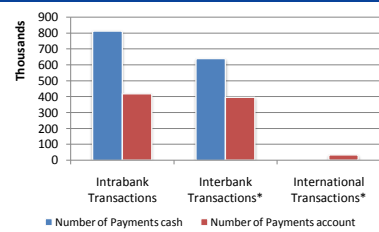
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Current situation of cash and non-cash payments



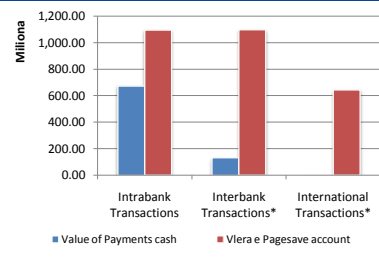
(Q3/2010)

Description	Number of Payments using		
	cash**	accounts	total
Intrabank Transactions	812,047	417,035	1,229,082
Interbank Transactions*	638,545	395,751	1,034,296
International Transactions*	231	33,833	34,064
Total	1,450,823	846,619	2,297,442
%	63.15%	36.85%	100.00%



(Q3/2010)

Description	Value of Payments using		
	cash**	accounts	total
Intrabank Transactions	671,490,198.46	1,095,188,137.85	1,766,678,336.31
Interbank Transactions*	131,391,217.38	1,096,725,243.66	1,228,116,461.04
International Transactions*	288,108.27	644,272,707.60	644,560,815.87
Total	803,169,524.11	2,836,186,089.11	3,639,355,613.28
%	22.07%	77.93%	100.00%



* Data include outgoing Interbank transactions and outgoing international transactions

**These transactions are reported by the commercial banks according to the Methodology for reporting cash and non cash payments, and the definition "ordering client pays with cash"

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The role of CBK in Payments System



- According to the Central Bank Law, the primary objective of the CBK is to:
 - “foster and to maintain a stable financial system, including a safe, sound and efficient payment system”;
- Regarding payment systems, the law gives special powers CBK:
 - “promote and oversee safe, sound and efficient payment, clearing and securities settlement systems”; and
 - “to organize, own, participate in and operate payment, clearing and securities settlement systems”

The role of CBK in Payments System



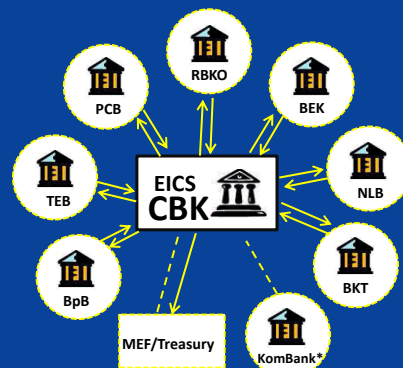
- **Operational Role**- CBK provides settlement infrastructure for interbank payments; it administers and operates a hybrid system (ICS – Interbank Clearing System) for settlement of small and large value payments.
- **Oversight Role**- CBK establishes rules and procedures, sets standards to promote and sustain a secure and efficient payment system for processing payments, as well as assesses the systems against established standards; and
- **Catalyst Role**- CBK encourages and promotes safety and efficiency in the use of payment instruments and payment systems.

Interbank Payment System

- Central Bank of Kosovo is the owner and operator of the Electronic Interbank Clearing System (EICS)
- EICS is a hybrid interbank payment system, which settles the following payments:
 - Regular payments, Massive payments, Kos Giro payments and Direct Debit payments. *(These are usually low value payments)*
 - Regular and Massive Priority payments, and Urgent payments. *(These are usually large value payments)*

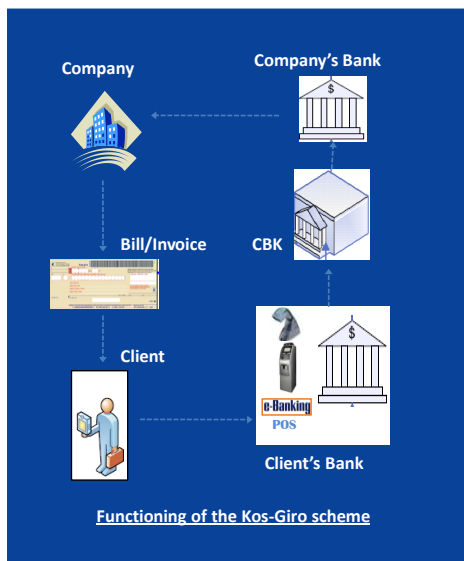
Participants in the EICS

- Currently there are **9** direct participants in the EICS:
 - **Eight (8) commercial banks**
 - **Treasury/MEF**



* Komercijalna Banka is legally a direct participant in the EICS, and is in the process of implementing the technical side of operations through the EICS

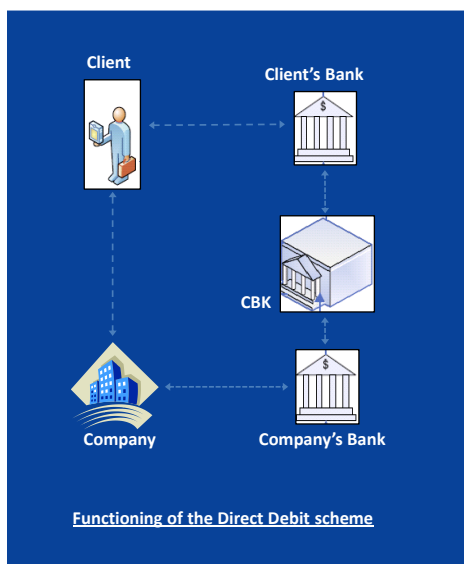
Functioning of the Kos-Giro scheme



- Companies participating in the Kos-Giro scheme:

- KEK
- PTK
- KUR Prishtina
- Termokos
- Customs
- Kosovo Property Agency
- Insurance Companies (10)

Functioning of the Direct Debit scheme



- Companies participating in the Direct Debit scheme :

- KEK
- PTK
- KUR Prishtina
- GYM n.p.
- Dardafon.net
- Higijena SHA KRM Gjilan
- Hidromorava KRU Gjilan

Legal Framework



Legal framework for payment system:

- Law on the Central Bank of the Republic of Kosovo
- Regulation 2001/26 on Payment Transactions*
- CBK Banking Rule No. XVIII on Clearing and Operation of Settlement Accounts
- CBK Banking Rule No. XIX on Bank Account Numbering System
- CBK Banking Rule No. XVII on Minimum Required Liquidity Reserves
- CBK Banking Rule No. XXXI on the Direct Debit Scheme
- Procedures of the Electronic Interbank Clearing System
- CBK Banking Rule No. XI (article 4) on
- Rregulla XI (pika 4) for reporting cash and non-cash payments
- Law No. 02/L-23 on the Information Society Services

* In process drafting the Law on Payment Systems that will replace the existing regulation.

** Legal Framework for payments system: <http://www.bqk-kos.org/?cid=2,6>

*** Law No. 02/L-23 on the Information Society Services: http://www.assembly-kosova.org/common/docs/lijjet/2005_02-L23_en.pdf

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STRATEGIC OBJECTIVES 2010 - 2015



- Facilitate the development of the general payments infrastructure, promote cooperation among the national payment system stakeholders, and promote the use of new non-cash payment instruments
- Play a catalyst and a regulatory role for the implementation of a national interbank card switch to provide interoperable functionality with required participation by all card issuers.
- Follow the European initiatives for the integration of payment systems
- Exercise effectively the function of payment system oversight in Kosovo in accordance with the legal provisions and modern practices

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VISION AND ACTION PLAN (2010-2013)



- **Implementation of nine pillars as envisioned in the strategy for the development of National Payment System (NPS)**

- PILLAR I. LEGAL FRAMEWORK
- PILLAR II. Large-Value and Time-Critical Payments
- PILLAR III. Retail Payment Systems
- PILLAR IV. Government Transactions
- PILLAR V. Securities Depository, Clearance and Settlement
- PILLAR VI. Money Markets
- PILLAR VII. International Remittances
- PILLAR VIII. Oversight
- PILLAR IX. Co-operation

ACTION PLAN FOR THE DEVELOPMENT STRATEGY OF THE NATIONAL PAYMENT SYSTEM (2010-2013) WAS ADOPTED BY THE BOARD OF CBK (ON SEPTEMBER, 2009), AND WAS REVISED BY THE BOARD (ON JUNE, 2010).

* For more information please visit: <http://www.bqk-kos.org/?cid=2,59,306>

PRIMARY OBJECTIVES



- CBK through the **National Payments Council (NPC)** and the **project management working group** will support and engage directly in creating the necessary infrastructure for payments, in order to:
 - “foster the development of interbank payment systems in order to...increase the scope of the services available to the payment community”; and to
 - “promote the use of non-cash bank payments over cash payments”.

3. Other issues and discussions with the project members



- Are cash payments or handling cash a big problem or cost for the utilities companies and other organizations?
- What solutions or projects for cash transactions reducing are already in place?

4. Next Steps



1. Obtain a better understanding of the costs, benefits and development plans from the public companies - a presentation at the next meeting.
2. Obtain information on best practice within South Eastern Europe - best practice in terms of operations and non cash transaction volumes - this will give us a benchmark to aim for.
3. Do we need Customer and Merchant research to understand their issues concerning non cash payments.
4. Based on the above we can then establish the gap analysis - where we are and where we want to get to.
5. How we achieve our objectives?
6. _____.
7. _____.
8. _____.



Thank you

National Payments Council
<http://www.bqk-kos.org/?cid=1,59,55>