



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

PAYMENT AND SETTLEMENT SYSTEMS IN KOSOVO

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Payment and Settlement Systems in Kosovo

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ABBREVIATIONS:

AMIK	Association of Microfinance Institutions of Kosovo
BIS	Bank for International Settlements
BPK	Banking and Payment Authority of Kosovo
CBAK	Central Banking Authority of Kosovo
CBK	Central Bank of the Republic of Kosovo
CPSS	Committee on Payment and Settlement Systems
ECB	European Central Bank
EICS	Electronic Interbank Clearing System
IAK	Insurance Association of Kosovo
IMF	International Monetary Fund
IPAC	Interbank Payments Advisory Committee
KBA	Kosovo Bankers' Association
MFI	Microfinance institution
NPC	National Payments Council
UNMIK	United Nations Interim Administration Mission in Kosovo

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Preface

Based on the Law on the Central Bank of the Republic of Kosovo (CBK), the CBK shall be exclusively responsible for the regulation, licensing, registration and oversight of payment, clearing and securities settlement systems.¹ Moreover, the CBK is authorized to organize, own, participate in and operate payment and settlement systems.

The primary objective of the Central Bank is to foster and to maintain a stable financial system, including a safe, sound and efficient payment system. In Article 21 of the Law on CBK, is stated that: *“The Central Bank may provide facilities, including intra-day credit collateralized by negotiable Government securities, to payment, clearing and securities settlement systems, and their participants, to ensure the safety, soundness and efficiency of such systems”*.

Establishment of the Electronic Interbank Clearing System (EICS) in 2001, as the first interbank payments system, was a major step toward facilitating the domestic payment operations through the banking system. The EICS, as the only payment system in place, gradually was developed and improved over the years, and now is a hybrid interbank payment system handling a range of payment instruments including time-critical (priority) payments.

Starting from July 1, 2016, the existing payment system in the CBK is replaced by a new system, which is designed according to the latest standards in the field of payment systems. Implementation of this system is one of the key steps that CBK has undertaken to strengthen the stability and increase the efficiency of the financial sector in general and banking in particular.

The new interbank payments system, called ATS (automatic transfer system) consists of two main components: RTGS component (Real Time Gross Settlement) which enables the transfer of funds in real-time, and ACH component (automatic clearing house) that processes low value and group payments.

Within the CBK, the Payment Systems Department is primarily responsible for operating and oversight of the IPS.

In the area of oversight, the Central Bank of Kosovo has established its function in line with the standards and requirements of the European Central Bank, and Principles for Financial Market Infrastructures of the

¹ Law on the Central Bank of the Republic of Kosovo, Article 22.

Bank for International Settlement BIS). In September 2016, the Executive Board of the CBK has approved the Policy for Oversight of Payment Systems, through which are defined principles and guidelines for the oversight of payment systems operating in the Republic of Kosovo.

Cash payments are still widely used in the country. However, the share of non-cash payments is constantly increasing. The credit transfer is a predominant form of non-cash payment in terms of both value and volume. The volume and value of payment cards has also grown considerably in recent years.

1. Institutional aspects

1.1. The general institutional framework

The Law on the Central Bank of the Republic of Kosovo and the Law on Payment System represent the backbone of the legal framework for payment systems in the country.

The Law on the Central Bank of the Republic of Kosovo (Law No. 03 / L-209) defines the powers of the CBK on payment systems; the provisions of this law among others give the CBK the following specific task: "the promotion and oversight of secure, stable and efficient payment, clearing and securities settlement systems". The law also gives the CBK the right "to organize, own, participate in and operate the payment, clearing and securities settlement systems".

Payment System Law defines:

- the conditions under which payment institutions providing payment services are authorized and operators of payment, clearing and securities settlement systems are licensed by the Central Bank;
- the terms and standards under which such services can be provided and payment, clearing and securities settlement systems can operate; and
- The means and procedures under which the Central Bank shall exercise its oversight powers.

Besides the two laws mentioned above, the functioning of the payment system is regulated by a number of other sub legal acts:

- Regulation on interbank payment system;
- Regulation on the direct debit scheme;
- Instruction on operation of Kos Giro;
- Regulation on Bank Account Standard Numbering System;
- Regulation on International Payments;
- Regulation on Registry of Bank Accounts;
- Regulation on Payment Instruments Statistics,
- Payment Systems Oversight Policy, etc.

The regulation for interbank payment systems defines rules and procedures for the functioning of the Kosovo Interbank Payment System.

The regulation on the direct debit scheme of the Electronic Interbank Clearing System defines the basic principles and requirements regarding the functioning of this scheme.

The Regulation on Bank Account Standard Numbering System determines the structure of bank account numbers, the relationship between the bank and the client in relation to generation, communication and the use of bank account numbers, as well as procedures for checking the validity of bank account numbers.

The Regulation on Payment Instruments Statistics defines the reporting of Payment Instruments Statistics. Consequently, the regulation defines the reporters, statistical obligation of reporters, reporting period, statistical reports, and confidentiality.

Payment systems oversight policy defines principles and instructions for oversight of payments systems that operate in Kosovo.

The CBK is currently undertaking a comprehensive review of the legal framework, with a view of developing and enacting new and/or revised legislation necessary to bring the Kosovo payment and settlement systems in line with European and International best practices.

1.2. The role of the Central Bank of Kosovo

1.2.1. General principles

Following Kosovo's declaration of independence on 17 February 2008, the CBK was established under the Law of the Central Bank of the Republic of Kosovo (Law No. 03/L-074) as an independent institution reporting to the Assembly of the Republic of Kosovo. It is the successor to the Central Banking Authority of Kosovo (CBAK), which itself was established under UNMIK Regulation 2006/47, dated 24 August 2006, as the successor to the Banking and Payment Authority of Kosovo (BPK). According to the Central Bank Law, the primary objective of the Central Bank is "to foster and to maintain a stable financial system, including a safe, sound and efficient payment system".

1.2.2. Payment systems oversight

The Law on Central Bank of Kosovo states that the Central Bank is exclusively responsible for the regulation, licensing, registration and

oversight of payment, clearing and securities settlement systems as further specified in the relevant laws. To fulfill this function, the CBK has consolidated the Supervision and Analysis Division, within the Payment Systems Department, which will oversee the payment systems in the country.

In order to efficiently and transparently supervise the national payment system as a whole and its relevant parts, the Central Bank:

- will define general standards, rules and guidelines for the provision of payment services and/or the operation of systems pursuant to regulations or instructions;
- will issue orders, assess and enforce compliance to the stated standards, rules and guidelines, through both on-site and off-site monitoring, set criteria, promote efficiency and use of electronic payment services, and encourage cooperation and coordination between relevant stakeholders.

Regarding the scope of its oversight role, the CBK oversees all clearing and settlement arrangements in Kosovo, including retail systems, since they are especially important in supporting economic activity and the public trust. Moreover, the law gives the central bank the possibility to regulate and oversee the issuance and quality of payment instruments.

The Central Bank of Kosovo performs oversight, periodically and continuously, in a three step process: monitoring, assessing, and inducing changes where necessary.

In the monitoring stage, the CBK collects relevant information from the operators and participants of the systems. Then it assesses the information gathered through monitoring on the basis of the supervision policies requirements, recommendations and standards it has developed either itself or in cooperation with other central banks and authorities. If during the assessment process, it is concluded that there is a need to encourage changes on the characteristics of the monitored payment and settlement system, the CBK in accordance with the supervision objectives can induce change where necessary.

While supervising the payment systems, the CBK has the right to require all relevant parties to provide necessary documents and information on the activities of the said parties. It is also entitled for on-site inspections conducted by officials and other persons authorized by the CBK.

Persons who are subject of oversight are obliged to provide all necessary information and cooperate with the CBK and to refrain from any action that could impair the performance of the oversight process.

In exercising oversight of payment systems, the CBK cooperates in the area of payment systems supervision with central banks in other countries as well as with other financial supervisory institutions.

1.2.3. The operational role of the Central Bank

Payment systems

The CBK operates the interbank payment system called Interbank Payment System (IPS) which consists of two main components: RTGS component (Real Time Gross Settlement) which enables transfer of funds in real time; and ACH component (Automatic Clearing House) which processes low value and group payments.

Within the CBK the Payment Systems Department (PSD) is responsible for the IPS operation, its oversight and other actions related to IPS. PSD is tasked with further developing of the IPS and promoting and introducing new systems and instruments that are considered as necessary by the payment stakeholders. Some of the main objectives of the department are to:

- “foster the development of interbank payment systems in order to...increase the scope of the services available to the payment community”, and
- “Promote the use of non-cash bank payments over cash payments”.

Interbank Payment Advisory Committee

The Interbank Payments Advisory Committee (IPAC) was established to set the operating rules, procedures and standards for IPS, and continues to meet regularly to consider operational issues. The IPAC members are representative of Central Bank, commercial banks and government institutions through the Treasury / MF. The Payment Systems Department of the CBK chairs the committee. There is a high degree of co-operation between participants in using IPS, which is well-accepted by all banks.

Clearing

Interbank payments are cleared through IPS. The commercial banks and CBK (on its own behalf and the Government Institutions) are members of

IPS. Members' core banking systems are connected electronically to IPS. High value and priority payments are cleared individually on a gross basis, while other payments are cleared on a net basis on clearing sessions.

The CBK runs four IPS clearing sessions per day for all low value and group payments. Low value and group payments are processed throughout the day from 8.00 a.m. to 15.45 in four clearing sessions. The price per transaction differs according to the type of payment instrument and the clearing session: prices are lowest for the 10.00 a.m. session, increasing for the later sessions. High value (over 10,000.00 €) and priority payments are cleared individually on a gross basis, no later than 15 minutes after submission, from 08.00 a.m. up to the cut-off time of 15.45.

Settlement

Settlement is achieved by entering of net balances from ACH to RTGS. Settlement is carried out on participants' single accounts held in the CBK core banking system.

The Payment Systems Department performs the settlement process, and the minimum liquidity reserve levels. The mandatory reserve level is 10% of each bank's qualifying deposit base, of which at least half (5%) is required to be held with the CBK at all times.

Securities settlement systems

Ministry of Finance in cooperation with the CBK has implemented the system of securities and the government has started issuing since January 2012.

In December 2009, the Assembly adopted the Law on Public Debt (Law no. 03 / L - 175), which gives the Republic of Kosovo the authority to borrow money; to make loan guarantees, to pay expenses for debt issuance and to pay the principal and interest on its State Debt.

The CBK has implemented a Securities Trading, Depository and Settlement System to provide the necessary functionality to support the Treasury and its domestic debt operations. This is connected with an auction system for primary market (securities issuing) operations, and it is also tightly-coupled with the RTGS system for the purposes of (i) implementing DvP operation for the settlement of all securities transactions and (ii) supporting (collateralizing) the CBK's intraday liquidity support operations in the

RTGS system. The CBK has developed a rigorous regulatory and oversight framework for the securities depository and settlement systems.

1.2.4. National payments system development strategy

Given the importance of payment systems for the economy of a country, the Central Bank of Kosovo in cooperation with other stakeholders has entered into a strategic process to modernize the national payment system in Kosovo. The Vision of the Future National Payments System (Vision), and the Action Plan for Implementing the Vision of the National Payments System (Action Plan), which together represents the development strategy of NPS, were approved by the Governing Board of CBK on September 11, 2009. Payment Systems Department (PSD) has the coordinating role for the implementation of the strategy.

National payments system development strategy has nine pillars: 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.

Of all these individual projects envisaged under the NPS strategy, the most important project is the implementation of the real time gross settlement system (RTGS). This system will be the backbone of the national payments system.

It is worth mentioning, in particular, that the strategy for the development of NPS has been promoted among all relevant stakeholders and the general public. The strategy was welcomed and supported by all stakeholders and especially from the financial community in Kosovo. There is an active commitment to developing a safe and efficient NPS.

1.2.5. Cooperation with other institutions

The National Payments Council (NPC)

The National Payments Council was established in 2009. It consists of representatives from CBK, KBA and commercial banks represented on the KBA's Board, and the Treasury-MF. This council has a formal structure with the Governor / Deputy Governor of the CBK as chairman, and with a secretariat which is also provided by the CBK. The representatives from the institutions are their chief executive officers (managing directors). If

necessary, the NPC will invite an appropriate number of experts in its sessions.

The NPC foundation is meant to support the development of a stable and efficient system for clearing and settlement of payments and securities in Kosovo. The NPC represents the central component of cooperation between relevant stakeholders within the national payment system.

Within the NPC there is a project management group for promoting the use of non-cash payments. The primary objective of the group is to prepare a code of conduct and rules for actions and measures to be taken from banks, business community and private individuals to reduce the volume of cash transactions.

1.3. The role of other private and public sector bodies

1.3.1. Kosovo Bankers' Association

The Kosovo Bankers' Association (KBA) is an independent representative organization established in 2003 by the commercial banks operating in Kosovo. The KBA currently has nine (9) members. This organization acts as the voice of the banking sector and as a forum where the banks can debate issues prior to discussing them with the CBK. It also carries out a substantial training program for the banking sector.

1.4. Financial intermediaries providing payment services

1.4.1. Banks

Commercial banks in Kosovo are universal banks therefore they carry out a whole range of banking activities. The current legislation does not differentiate between commercial, savings, mortgage and cooperative banks. In Kosovo, all banks have the right to offer all types of banking services, including different types of payment services, deposits, credit, and foreign exchange transactions.

Each bank determines the fees and commissions applicable to its own customers in accordance with its own policy, without any legal constraints. There are also no restrictions regarding the number of bank branches.

1.4.2. Microfinance Institutions

Microfinance institutions (MFIs) are financial institutions, whose activity is usually in small value lending. These institutions give small loans to

individual and small businesses, whether in agriculture, manufacturing or services.

MFIs are governed by the regulation on registration, licensing, supervision and regulation of microfinance institutions. Currently there are fourteen (14) microfinance institutions licensed in Kosovo.

1.4.3. Money transfer institutions

As the name suggests, these institutions activity is money transfer. Money transfers are made within the country and abroad, both incoming and outgoing transfers. There are currently five (7) licensed money transfer agencies. Agencies are governed by the Rule for the registration, supervision and activities of non-bank financial institutions operating in Kosovo.

2. Payment instruments used in Kosovo

2.1. Cash payments

Euro is the most widely used currency in Kosovo. The euro banknote series comprises seven different denominations: €5, €10, €20, €50, €100, €200 and €500. The euro coins denominations are: 1, 2, 5, 20 and 50 cent, and €1 and €2.

One of the tasks of the CBK under the Law of the Central Bank of the Republic of Kosovo is to “maintain an appropriate supply of banknotes and coins in Kosovo”. Kosovo is not a member of the Euro area, therefore in order to fulfill its task, it ships notes and coins from and to the euro area, and then it provides cash withdrawal and deposits facilities for its customers, which are mainly banks. There is a bigger demand for small denomination notes, largely because they are used in ATMs and they quickly become damaged.

Demand for cash by the non-banking sector is increasing nominally over the last few years; however the seasonal effects cause considerable fluctuations in the use of cash during a year. Cash holdings vary substantially within the month (increasing on days that pensions, wages, salaries, etc. are paid) and within the year (more cash is used during the summer period and at the end of the year, while there is less in circulation at the beginning of the year and in the autumn). The fluctuation within the year can also be explained by the influx of emigrants visiting Kosovo. Even though new payment instruments have been unveiled by the banking sector, the payments system in Kosovo is characterized by a continuing high reliance on cash among the general population.

With the exception of Kos-Giro payments (which are in any case mainly paid in cash), the majority of interbank payments made through the IPS are initiated by government or commercial entities.

2.2. Non-cash payments

2.2.1. Credit transfers

Credit transfers are the most dominant form of non-cash payment in the Republic of Kosovo. These payments are made with payment orders, which are presented electronically or in paper form to banks by the customers. A widely used order paper in Kosovo is Kos-Giro, which was created to make the paper based payments more efficient for all the parties involved: banks, customers and companies (both public and private). Under these special payment orders, billers such as utility companies include a standardized payment form at the end of the bills they send to their consumers. This payment form contains payment details in a barcode which is scanned when the consumer presents the bill for payment at any bank office. The payment afterwards is processed automatically by the bank.

During the last couple of years, the internet banking has grown rapidly. Banks are starting to encourage the use of electronic payments by their customers.

2.2.2. Direct Debit

Direct Debit was recently introduced for public in Kosovo (in November 2009). It is a new type of payment instrument; therefore it is not as commonly used as other payment instruments (e.g. credit transfers and payment cards). Public utility companies have joined the scheme. However the volume and value of these payments is still just a fraction of the total payments.

Even though the number and value of these payments is growing from year to year, the number of accounts associated with direct debit is still low and it is necessary a greater engagement of all participants in the financial system, in order to increase their number which provides the reduction of cash payments.

2.2.3. Payment cards

During the last couple of years, the number of payment cards has grown rapidly. Most people who have a bank account usually own at least one payment card. Payment cards issued by the banks are usually Visa or MasterCard branded. The ATM and POS network in Kosovo is growing, although the interoperability is not satisfactory.

Debit cards

Debit cards are the most widely used payment cards in Kosovo. Visa and MasterCard branded cards are the most numerous. Debit cards issued by the banks can be used at ATMs and POS terminals inside or abroad Kosovo. At the end of 2016, the number of debit cards was 856,718 which compared to 2015 represent increase by about 19.2 per cent.

The following table presents more detailed data on the number of debit cards from 2012 until 2016, from which can be concluded on increasing of their number each year.

Table 1. Number of debit cards

Type	2012	2013	2014	2015	2016
VISA	437,304	484,300	496,319	613,107	662,364
MasterCard	135,995	159,959	181,517	180,449	174,607
Local cards	26,072	789	254	44,191	19,747
Total	599,371	645,048	678,090	837,747	856,718

Credit cards

The number of credit cards has grown significantly in recent years. Commercial banks operating in Kosovo have paid added attention to increase the number of credit cards in the country. In 2016, the number of credit cards reached 156,437 which compared to 2015 represents an increase of about 8.74 per cent. Most of the cards are Visa and MasterCard brands.

Table No. 2 presents data on the number of credit cards starting from 2012 to 2016. From the data presented in the table it can be seen that their number is increased every year.

Table 2. Number of credit cards

Type	2012	2013	2014	2015	2016
VISA	83,188	96,976	110,611	128,397	136,387
MasterCard	12,754	12,356	11,041	12,993	18,813
Local cards	0	0	0	2,473	1,237
Total	95,942	109,332	121,652	143,863	156,437

Prepaid cards

Up to date, only one bank has issued prepaid debit cards in Kosovo. These cards are issued in cooperation with a telecommunications company.

2.2.4. E-banking

Almost all banks in Kosovo offer e-banking service to their clients. With this service, clients can access their account and initiate transfers through personal computers (PC) connected to the internet. Number and value of E-Banking transfers is growing continuously. It is worth mentioning that this service has not yet found widespread use by the public, probably due to the overall penetration of Internet use in Kosovo.

To have a clear view on the increase of the number and value of payments executed with e-banking service, the following table presents statistics for this service starting from 2012 to 2016. It should be emphasized that in recent year's e-banking payments have had rapid trend of growing.

Table 4. Payments executed through e-banking

Description	2012	2013	2014	2015	2016
Number of transactions	625,762	1,056,655	1,579,838	2,311,564	2,915,082
Value of transactions	1,499,093,438	2,671,011,546	4,220,405,696	5,746,325,675.39	6,703,386,853

2.3. Recent developments

Recently, in the payment service market, there has begun an increased interest in the payments by phone (mobile banking). These services enable clients to perform various payments by mobile phone at any time in the entire territory of Kosovo. Given the high penetration of mobile phones to citizens, and the high coverage in the country by the telecom operators, this method of payments appears quite promising in the future. Currently, some banks are in the initial phase of providing this service.

The introduction of ATM terminals with barcode readers will increase the efficiency of payment services, especially for Kos Giro payments. Using these terminals, the customers without having to go to bank tellers, can pay their bills for services received from public and private companies (such as KEDS, PTK, etc.). Besides the comfort and speed, this development will reduce the administrative costs of commercial banks, and will encourage payment of these bills through bank accounts and not with cash.

3. Interbank clearing and settlement system

3.1. Interbank Payment System

The CBK operates the single interbank payment system. This system, called ATS consists of two components: RTGS component (Real Time Gross Settlement) which enables the transfer of funds in real-time, and ACH component (automatic clearing house) that processes low value and group payments.

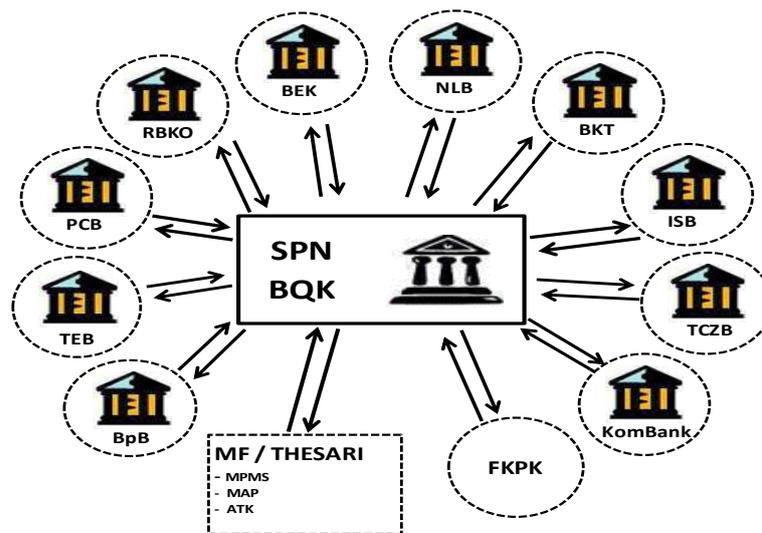


Figure 1 Present Payments Clearing and Settlement System

All commercial banks are participants in IPS, as is the CBK (both for itself and on behalf of the government). Commercial banks are connected to IPS using fiber optic lines that have replaced leased lines (leased lines will be used as back up connection lines).

3.1.1. Rules and procedures

The CBK has adopted the rules and procedures for IPS. They are legally binding on all participants. The rules describe the timetable for the system's

operations, the clearing and settlement procedures, responsibilities of participants, the responsibilities of CBK, technical requirements that the participants must met, and the definition of finality and irrevocability of payments. Compliance with these acts is obligatory for all participants in the system.

The message standard and the contingency procedures are also prepared by the CBK, and are legally binding to all participants. The IPS uses standard message formats that were designed during the development of the system and are in line with international standards.

3.1.2. Participation in the system

Access to the IPS is governed by the defined rules and procedures of the IPS, and other terms and conditions issued by the CBK. These acts define access criteria which are public.

The access criteria also require participants to have adequate technical, organizational and human resources for normal and contingency operations.

Currently there are 11 direct participants in the IPS. This includes 10 commercial banks and the Central Bank of Kosovo (for itself and on behalf of the government). All of the licensed banks in Kosovo participate in EICS. Microfinance institutions, insurance companies, etc. hold transaction accounts with direct participants, which act as their agents.

3.1.3. Types of transactions handled

The IPS is used for low-value domestic transactions (under 10,000.00 €) and for high value and priority payments. The IPS does the clearing of all the RTGS and ACH payments which include: individual payments, mass payments, Kos-Giro payments, and direct debit payments.

RTGS and priority payments

RTGS and priority payments can be submitted at any time during the IPS operating day and which are required to be cleared immediately by IPS on a gross basis, and in any case within 15 minutes of submission. RTGS payments include: client's payments, bank to bank payments and Securities.

The delayed settlement process for priority payments represents an element of both settlement and systemic risk although at the present time the high level of liquidity in the economy reduces the actual risk level. The volume of priority payments is low but they represent a significant percentage of payments by value.

High value and priority payments are payments which mainly have great value (over 10,000.00 €) and should be processed for a short period of time.

Table 6. Number and value of priority payments

Description	2012	2013	2014	2015	2016
Number of transactions	22,300	24,812	26,079	28,645	69,389
Value of transactions	893,490,615	768,577,986	666,722,026	712,772,611	5,581,140,123

Individual payments

Individual payments are single credit transfers which are typically initiated at a bank branch by the payer's completing a paper payment order which is then input to the bank's core banking system and subsequently forwarded to the IPS for clearing. The payer either pays in cash or authorizes a deduction from his/her bank account. This instrument is generally analogous to a credit transfer, as defined by the BIS/CPSS.

Regular payments are among the key participants in the IPS. In 2016, individual regular payments represented 11.24 per cent of total IPS payments while in the overall value of interbank transactions they participated with 22.68 per cent.

Table 7. Number and value of regular payments

Description	2012	2013	2014	2015	2016
Number of transactions	833,409	970,717	1,032,043	1,210,355	1,303,683
Value of transactions	3,161,880,010	3,319,527,253	3,329,886,961	3,677,815,746	2,416,603,204

Massive payments

These can be used for either one-to-many payments (for example payment of salaries) or many-to-one (which are primarily used for consolidation of government tax and customs revenues before being forwarded to the CBK by commercial banks). During each clearing run, IPS breaks down the one-to-many payments, and consolidates the many-to-one payments, into individual payments which are then cleared. Mass payments are nearly all made by, or to, government organizations. The CBK wishes to encourage the private sector to use them more, for example for the payment of salaries.

Massive regular payments represent about 35.25 per cent of the total number of the IPS transactions, while their value participates with 6.18 per cent in the total value of transactions.

Table 8. Number and value of mass payments

Description	2012	2013	2014	2015	2016
Number of transactions	2,916,145	3,294,677	3,731,436	3,766,942	4,087,636
Value of transactions	470,361,458	531,795,573	536,499,429	595,030,788	658,485,414

KOS-GIRO

This facility was introduced in 2005 as a way for consumers to pay bills. Under the system, billers such as utility companies include a standardized payment form at the foot of the bills they send to their consumers. This payment form contains payment details in a barcode which is scanned when the consumer presents the bill for payment at any bank office. The payment details are captured and forwarded via the commercial bank's core banking system to IPS, and either the payer pays in cash or their account is debited (if the payer has a bank account and the form is presented at the payer's bank).

Kos Giro is another form of individual credit transfer. Through it, the customer does not pre-authorize the bank to debit his or her account for recurrent payments. The usage of Kos-Giro has shown a steady increase since its introduction, with the monthly volume of payments increasing more than threefold. This increase has been due to various companies and agencies joining the scheme, 16 in total, such as Kosovo Energy Corporation (KEK), Post and Telecom of Kosovo (PTK), customs, etc.

Kos Giro payments continue to be a very important part of the payment system: their number represents 12.19 per cent of the number of transactions and their value represents 10.76 per cent of the value of interbank transactions.

Table 8. Number and value of Kos Giro payments

Description	2012	2013	2014	2015	2016
Number of transactions	543,338	692,281	1,013,620	1,349,316	1,413,616
Value of transactions	892,130,913	899,986,956	949,316,256	1,048,213,712	1,145,873,024

Direct Debit

The Direct Debit was introduced in November 2009, for public use in Kosovo. It is a new type of payment instrument; therefore it is not as commonly used as other payment instruments (e.g. credit transfers and payment cards). Largest public companies have joined the Direct Debit scheme.

Despite continuous growth in the number of payments through this scheme, Direct Debit still has a little use in Kosovo. Direct Debit participates less than 1%, both in number and in value of interbank transactions.

Table 9. Number and value of Kos Giro payments

Description	2012	2013	2014	2015	2016
Number of transactions	10,304	13,115	14,582	15,565	26,610
Value of transactions	8,043,429	6,763,903	7,182,931	7,152,037	8,568,652

Operating hours

The operating hours of IPS are approved by the management of CBK in close cooperation with the banking community. Current operating hours are from 8.00 a.m. to 15.45 p.m. On national holidays the system is closed.

The timetable at the end of the business day can only be changed in extraordinary circumstances, in accordance with the IPS rules and standards.

3.1.4. Pricing and fees

The CBK, as the owner and operator of IPS, has set fees for the provision of payment services by this system. These fees fall into the following broad categories: initial participant fee, monthly fee for communication maintenance costs, fees for extraordinary services, and transaction fees.

The price per transaction differs according to the type of payment instrument and the clearing session: prices are lowest for the 10.00 a.m. session, increasing for the later sessions. RTGS/priority payments are cleared individually on a gross basis, no later than 15 minutes after submission, from 08.00 a.m. up to the cut-off time of 15.45 p.m.

There are entrance fees for new participants, but no annual membership fees for existing participants. Participants also pay a monthly fee for communication maintenance costs.

The CBK's pricing policy for IPS services is based on the principle of cost recovery, without profit. Therefore the fees are reviewed from time to time in this context by the CBK. In this way, the CBK aims to help the financial sector and the overall economy, by offering low rates to promote the use of non-cash payment instruments.

3.2. Statistical data

During 2016 around 11.6 million transactions with a total value of 10.7 billion euros were channeled through the IPS. Compared with IPS transactions in the previous year, the volume of transactions was increased by 17.88 per cent and the value of transactions was increased by 42.52 per cent.

IPS daily transactions value in 2016 was 42.8 million Euros compared to 30.14 million Euros in 2015.