

# **PARTICIPATION OF NONBANK FINANCIAL INSTITUTIONS IN THE AECH SYSTEM**



**BANK OF ALBANIA, DECEMBER 2020**

# Changes in the legal and regulatory framework

- **Entry into force of law no. 55/2020 “On Payment Services”**
  - *Introduction and availability for use of the “payments account”;*
  - *Granted the right of participation in payment systems to: legal persons, providers of payment services authorized/registered by Bank of Albania;*
  - *Granted the right to access in payment account services in banks to payment institutions and electronic money institutions (on an objective, non-discriminatory and proportionate basis)*
- **Review of the regulations of payment systems operated by Bank of Albania**
  - *Clear specification of categories/subcategories of participants in the AECH system including Nonbank Financial Institutions as indirect participants;*
  - *Explicit specification of participation criteria in AECH for Nonbank Financial Institutions;*
  - *Specification of obligations for participants that settle through a settlement participant in the AIPS system, as well as the obligations of AIPS participants that play the role of settlement participants for indirect AECH participants;*
  - *Unification of the template agreement of participation in AECH for banks and nonbank financial institutions.*

# Creation of the necessary environment for operation of Nonbank Financial Institutions in AECH

- **Source: Law no. 55/2020 “On Payment Services”**
  - *Nonbank Financial Institutions can open payment accounts for their customers;*
  - *Possibility for participation in payment systems (in this case AECH);*
  - *Possibility to open payment accounts for Nonbank Financial Institutions in banks, and the capacity to settle payments that have been cleared through AECH, by using the settlement account of a bank in the AIPS system.*
- **Source: Regulation of AECH and AIPS systems**
  - *Indirect participation in AECH, subcategory “nonbank financial institutions...”*
  - *Participation criteria and obligations in the AECH system for nonbank financial institutions;*
  - *The obligation of an agreement about settlement between the nonbank financial institution and a bank that will play the role of the settlement participant in AIPS (with clear specifications to protect the system against liquidity, operational, general business risks, as well as protect the financial and operational stability of the system);*
  - *Signing of the AECH template participation agreement (part of AECH regulation).*

# **AECH Participation criteria for nonbank financial institutions**

- 1. Formulation of internal rules and procedures for the operation in AECH;*
- 2. Rules and procedures for the security and protection of information exchanged between systems;*
- 3. Emergency plans related to the operation in AECH;*
- 4. Qualified and trained personnel for the operation in AECH;*
- 5. Participation in AECH only through the head offices;*
- 6. Following all the participation stages provided by BoA in the participation schedule;*
- 7. Signing of an agreement about settlement between the nonbank financial institution and a bank that will play the role of the settlement participant in AIPS;*
- 8. Become a member of the AECH CUG after fulfillment of the below requirements:*
  - a. An active BIC with SWIFT*
  - b. A SWIFT Infrastructure in use*
- 9. Signing of the AECH template participation agreement.*

# AECH Participation for nonbank financial institutions

- **The process**

- A. *Written request addressed to Bank of Albania about participation in AECH system*
- B. *A response by BoA within 10 business days from receiving the request*
- C. *If request is approved and candidate is eligible to continue with the process:*
  1. *Within 1 week from approval, the candidate is informed about the regulatory framework, fees of participation in AECH, as well as the technical criteria the candidate must fulfill;*
  2. *BoA presents the participation schedule and cooperates with the candidate for its implementation;*
  3. *BoA trains the users of the candidate and leads the testing process;*
  4. *Submission of documentation from the candidate about fulfillment of technical criteria and the compliance with the set of rules of the AECH regulatory framework;*
  5. *Signing of an agreement about settlement between the nonbank financial institution and a bank that will play the role of the settlement participant in AIPS;*
  6. *With the fulfillment of the above and the successful completion of the testing process, the candidate and Bank of Albania sign the AECH template participation agreement;*
  7. *The candidate fills out the forms specified in the requirements set by the AECH regulation;*
  8. *BoA performs the necessary configurations related to the start of operational activity of the new participant in the AECH system and informs the AECH participants 10 days in advance of granting access to the new participant to start its operation in AECH.*



# Obligations of nonbank financial institutions in AECH

- **Continuous compliance with the AECH regulatory framework**

A. *Enforcement of rules and procedures of AECH system;*

B. *System access:*

1. *Adherence to the system daily timetable as per AECH regulation;*

2. *Qualified personel for operation in AECH;*

3. *Adherence to the rules based on ensuring the information security in the system;*

4. *Notify BoA without delay, in case of change of operating personel in AECH;*

5. *Report to BoA of every observed/suspected violaton;*

C. *Interfaces and communicaton*

1. *Internal procedures for the security and protection of information;*

2. *Garanteeing the continuity and the sending process of payment instructions in AECH;*

3. *Ensuring of integrity of transactions and controlled access;*

D. *Notification of authorized signatures, as well as their continuous with no delay update;*

E. *Transmission of instructions based on eligible documentation, in accordance with the system timetable, as well as storage of transaction data in electronic and paper format;*

F. *Emergency plan, periodical evaluation of integrity and sustainability of internal systems;*

G. *Notification of BoA without delay, about any change in the agreement with the party that plays the role of settlement participant in AIPS.*



Thank you!