

## 1. Digital Innovation in banks in Albania

Albanian banking has come a long way in electronics banking in the past years:

Starting from **no-tech** (money exchangers on the street, salaries paid in cash and almost no ATM availability) to **low-tech** (salaries through banks, high use of ATMs and Debit Cards), to the start of the **high-tech era** (digital/online banking) with almost all banks currently undertaking something in the digital transformation.

Electronic retail banking technology started being introduced in Albania more than 8 years ago, in the form of Internet Banking, then Mobile Banking and more recently, Mobile Payments. The digital banking technology now available in Albania continues to close the gap with more advanced European markets.

Actually, twelve banks offer Internet banking; eight of them have some form of Mobile Banking and two banks provide mobile payments with 3rd party platform operator.

### Further development of e-banking platform (*BKT, Intesa, Raiffeisen; Procredit, ABI*)

The launch of banks new **digital banking platforms** has offer world class digital banking that is seamless across devices (desk top computers, laptops, tablets and mobile phones). These platforms expanded functionality, best-in-class user interface design and will be continuously upgraded to make possible offering more services through e-banking platform (such as: Payroll for businesses; Payments for the budget; preferential exchange rates, etc.). Now the clients of banks can make every kind of payment online, without the necessity to visit the bank branches.

Furthermore, through Mobile Banking Application, customers may access their accounts and make banking transactions 24 hours a day, 7 days a week through their mobile phone. Through these applications, they also can: get information on all accounts (current accounts, savings, deposits and cards); make transfers within accounts and to other parties within the bank; make domestic transfers in ALL; view the recent orders; as well as approve registered payments (in case of multiple users). Alpha Mobile Banking offers 24 X 7 view on all account balances as well as recent debits/credits. Through predefined access rights the business customers can apply the 4 eyes principle during payments by segregating the duties between originator and authorizer.

Banks now can notify by SMS clients in real time for some special types of transactions, including transfers over a defined amount.

### **Further developments are made even in Customer authentication**

During this period banks have approached and developed projects aiming to enhance the security in the banking transactions and bringing innovation into the banking environment. In this framework, it is worth mentioning the project on *Electronic Signature (Societe)*; *Authentication with ID card (Union, Raiffeisen)*, by using ID Card or fingerprint recognition to verify the client during the execution of bank' transactions; digitization of living proof through the "*pensioner card*" - where the process of authentication of the retired person is carried out simply by validating the fingerprint by linking it immediately with the activation / deactivation of the relevant card pensioner.

Alpha Mobile Banking offers 2 factor authentication for the customers by making use of OTP (one time passwords) by increasing so the security of the digital environment.

### **New features and services for the cards presented during 2016-2017**

Aiming to facilitate the banking services and to enrich customer experience, some banks are offering new type of cards:

- *Contactless Credit Card (BKT)*- through which it is not necessary to insert the card into the POS terminal, but simply Tap & Go. Contactless purchases can be performed only on POS terminals that have integrated this feature;
- "*Final Card*" (*Union*)- which enables disbursement of credits approved by microcredit institutions (currently FINAL) as well as payment of debts through Bank cards. Combining the use of this card on the ATM together with the use of the POS network installed in UFT financial agents makes the service of clients possible in areas that are not covered by bank branches or ATMs.

Furthermore, other banks of the sector continue implementing new Credit Cards products aiming to meet and facilitate the customer's needs and develop new customer experience.

### **Other facilities offered by banks to costumers (*Alpha, BKT, Raiffeisen, Union*)**

Facing the increase of consumer demand for quality, banks offer services to ensure a very positive customer experience. Banks aim to have happier and more loyal customers and ensure that Albanians have access to modern, friendly, affordable and very convenient banking.

Banks offer *Money Transfer Services*, which have accelerated the time of execution of incoming and outgoing transfers for banks' customers as well as has mitigated their transaction costs.

There are payments offered in banks branches or "Internet branches" such as Bill payment for telephone, mobile, electricity, water; Treasury payments; Services allows all customers to recharge their accounts at all the mobile operators in Albania through e-banking, mobile banking and ATMs or real time payments for third parties, through respective agreements between banks and service providers.

### **What's about the situation of payment system in Albania?**

The efficiency of payment system is important for the development of economy. The impact of developments in technology and processes' computerization lead the financial system and the banking sector towards new arena of fundamental changes that ensure security in the banking market, efficiency and cost reduction. The digital transformation is a strategic direction for all banks.

In Albania, several initiatives are undertaken in such regards. Payments made in the branch network are checked, validated and passed automatically and without manual intervention on the respective networks depending on the payment specifications and vice versa.

*The unified /standardized payment order form*, as approved in the regular meeting of National Committee for Payment Systems, held at Bank of Albania, on 24 May 2016 and implemented by the commercial banks, under AAB Payment System Committee' coordination, provides increased productivity, by reducing payment processing time, reduces errors, and provides transparency for the client. Moreover, expanding the use of this document into large businesses and corporations' market would ensure a fast and unique professional & interaction approach, between these businesses and the banking system.

The inclusion of banking, institutional and business markets, in the cooperation and extensive use of this form, will close the standardization cycle and open opportunities to initiate the *E-Invoicing project*, currently considered in the European market as an electronic transfer of payment information between business participants (sellers and buyers). The later will be a highly-automated process, which will enable better cooperation among payment systems and businesses. Such initiative will lay down the foundations of relevant environment for a standardization of electronic invoice, in a cross-border level.

The *Interbank Direct Debit* scheme is an ongoing initiative, together with Bank of Albania. There were several meetings with representatives of utilities companies, but so far, the progress is at very low level. The project has to be realised, therefore all stakeholders have to actively participate and support.

## **2. Albanian Association of Banks Activities**

In order to update the banks on the new technology and new trends in more developed countries, AAB has organized different activities regarding digital banking. All conferences were positively embraced and appreciated by the Albanian Banks.

### **Conference on “Digital Banking in Albania”**

On 25 May 2016, AAB, in cooperation with Bank of Albania and National Payment System Committee, organized the first international conference: “Digital Banking in Albania”. This conference aimed at promoting new technologies used by the banking sector to provide new services and products to Albanian citizens. Interesting topics were discussed during the three sessions of the conference, like: innovative payment services, the latest developments regarding digital transformation and its role in the banking industry, challenges for the future, regulatory framework in the European Union and its impact in Albania, current situation in the domestic market, etc. More than 160 participants from the banking sector public and private financial institutions attended the event.

### **Information Security Forum**

AAB and Information Security Committee held on 13 October 2016, the Information Security Forum. Participants at the event included Albanian and international banks' experts, representatives from National Agency for Information Security (NAIS), Bank of Albania, Kosovo Banking Association, consulting companies, etc. This Forum was in line with the awareness raising campaign by EU that promotes cyber security among citizens and advocates for change in the perception of cyber-threats, by promoting data and information security, education, sharing of good practices.

### **The first Retail Banking Forum**

The one-day event brought together international experts with local policy-makers, regulators and representatives from local banks to discuss about key challenges, currently being faced on the digital transformation journey. The forum was organized in three sessions, where participants discussed and debated in various panels. Distinguished keynote speakers from McKensey, Pricewaterhouse Coopers, European Banking Federation and Croatian Banking Association shared with the participants their overview on the development of retail banking, as a result of the development of technology and changing customer behavior. Speakers from the World Bank, Bank of Albania, Ministry Internal Affairs, Ministry of Innovation, Public Administration and other public institutions discussed about the cyber security threats, the importance of credit bureau, country's current situation and what can be improved in the future, in order to create favorable conditions for a rapid and secure development of retail banking. Also, representatives from banks operating in Albania introduced their experiences in retail banking.