



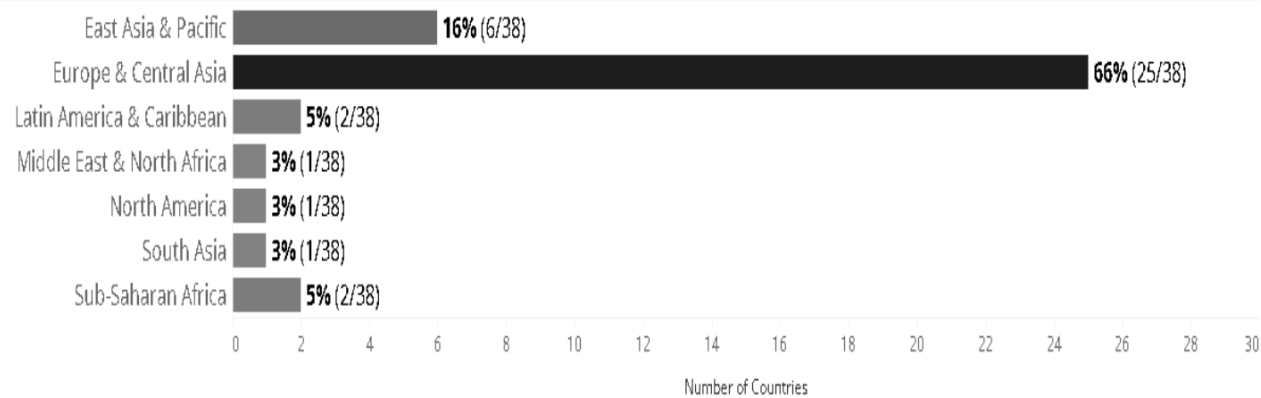
## **INSTANT PAYMENT PROJECT - ALBANIA**

**DEPARTMENT OF PAYMENT SYSTEMS, ACCOUNTING AND FINANCE**

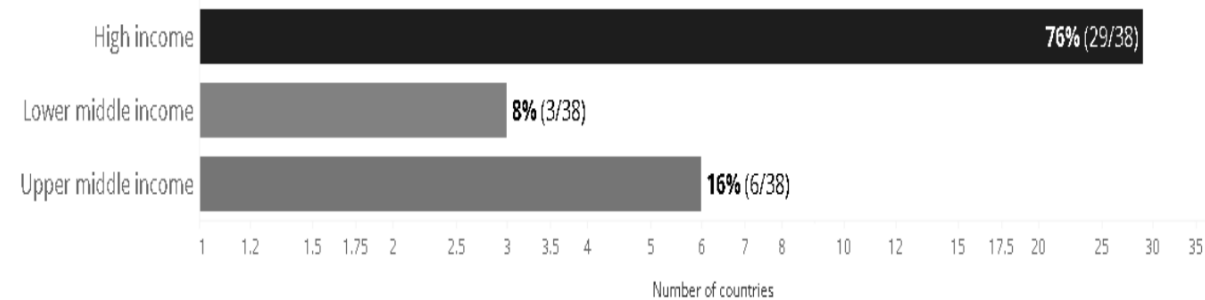
# INSTANT PAYMENT - THE NEW NORMAL



## Distribution of countries with access to an FPS by region



## Distribution of countries with access to an FPS by income level



# INSTANT PAYMENTS - THE KEY FOR EFFICIENT CROSSBORER PAYMENTS



## Project Nexus

Enabling instant cross-border payments

Project Nexus aims to enable instant cross-border payments by connecting multiple domestic instant payment systems (IPS) globally.

The project has produced a comprehensive blueprint for standardising the way that domestic IPS connect, lowering the obstacles for countries that wish to offer instant cross-border payments.

Central Banks involved in the project- Indonesia, Malaysia, Singapore, the Philippines and Thailand.

ECB announced in October that it is evaluating TIPS to join the Nexus Project

# SEPA AND THE NEW RULES FOR INSTANT PAYMENTS

- Instant Payments Regulation (Regulation (EU) 2024/886) is set to revolutionise the European Payments landscape by enabling real-time electronic payments across the region by :
  - I. Enhancing the efficiency, speed, and accessibility of transactions in euro, allowing instant credit transfers between participating financial institutions in less than ten seconds, available 24/7, every calendar day of the year.
  - II. **Mandates all eligible institutions to support instant payments**, with phased implementation deadlines starting from January 2025 for institutions within the Eurozone.
  - III. **Requires significant technical upgrades and operational changes from financial institutions to support instantaneous processing and settlement of transactions.**
  - IV. **Imposes stringent security and anti-fraud standards**, including payee verification procedures and financial sanctions screening, to ensure compliance and protect transaction and user data.

# INSTANT PAYMENT PROJECT IN ALBANIA-

*an integral part of a few initiatives*



**National  
Retail  
Payment  
Strategy  
(NRPS)**



**Part of  
Albania's  
commitments  
for the  
Economic  
Criteria**

**SEPA**



**Regional  
Project for the  
Modernization  
of the Payment  
Systems in the  
Western  
Balkans**



**Project  
Strategy for the  
reduction of  
the informality**



**Supports the  
Albanian  
Government's  
initiative for the  
development of  
e-commerce**



**Digitalization of  
Government's  
payments / QR  
Code Project  
Pilot**



# WHAT ARE THE MAIN REASONS FOR THE DEVELOPMENT OF INSTANT PAYMENTS?

- The need to make payments as **fast, simple and reliable** on commercial exchanges.
- The development of “**open banking**” and the promotion of their widest possible use.
- **ISO 20022** –Uniform global standardization of payment messages.
- In the case of Albania it aims:
  - ✓ **Expansion** of electronic payment services and instruments and payment services.
  - ✓ **Promoting competition** among different instruments with the aim of reducing costs.
  - ✓ **Covering market segments** that do not use electronic instruments




# THE ADVANTAGES OF INSTANT PAYMENTS IN THE ECONOMY

- Improves the efficiency of the financial system by unblocking funds.
- It reduces systemic risk by providing immediate access to funds and helps formalize the economy.
- Responds to end-user/final user requests by being available 24/7/365.
- It reduces uncertainty and increases the availability of working capital.
- Reduces the cost of payment systems (compared to paper-based systems).
- It helps promote financial inclusion and reduces dependence on cash for low-value transactions.
- It helps innovation.





# WHAT ARE THE MAIN DIFFERENCES FROM THE CURRENT PAYMENT INSTRUMENTS

	Person to Person 	Point of Interaction 	E-commerce 
<b>Cash</b>	✓	✓	✗
<b>Cards</b>	✗	✓	✓
<b>E- transfers</b>	✗	Limited case	Limited cases
<b>Instant payments</b>	✓	✓	✓



# OPTIONS FOR THE IMPLEMENTATION OF INSTANT PAYMENT SYSTEM IN ALBANIA

## Option 1

### Upgrade of the Actual RTGS System –AIPS

- Integrating the instant payment settlement function with the settlement function in AIPS.
- BoA is the owner and the operator of the system.
- The BoA will require system participants to maintain "liquidity pools".

## Option 2

### Upgrade Update of the Actual ACH System–AECH

- Integrating the instant payment settlement function with the settlement function in AECH.
- BoA is the owner and the operator of the system.
- The BoA may consider implementing real-time settlement but will require system participants to maintain "liquidity pools".

## Option 3

### Building a new independent Instant Payment System

- The BoA should conduct a procurement for a new system/ conduct consultations with all parties/market actors.
- The BoA could be the owner/operator of the new system for the first few years, then the ownership could be transferred to the banks (when the system provides profitability).

## Option 4

### Sub – Contracting of the service to a Fin-Tech company local/regional or to a PSP – third party.

- The fintech company/PSP settles participants' net multilateral positions via AIPS.
- The BoA will be the owner/operator of the scheme, subcontracting the operational part to a third party.

# OPTIONS FOR THE IMPLEMENTATION OF INSTANT PAYMENT SYSTEM IN ALBANIA

Option 5- Using the service provided by the (Central) Bank of Italy through the creation of a "Clone" system – the optimal solution.

## ADVANTAGES

*Optimal solution in the circumstances where "Option 4" presented above did not generate significant market interest and carries increased risks from the point of view of settlement and finalization of the transaction.*

*Guaranteed infrastructural and operational compatibility with TIPS (System).*

*The solution avoids the phasing out of the instant payment system created as a result of future use of TIPS services.*

*Compliance with ECB and SEPA requirements is guaranteed.*

*It guarantees the possibility through future developments to carry out cross-border payments between the Western Balkan countries.*

# IMPLICATIONS FOR THE ACTORS INVOLVED

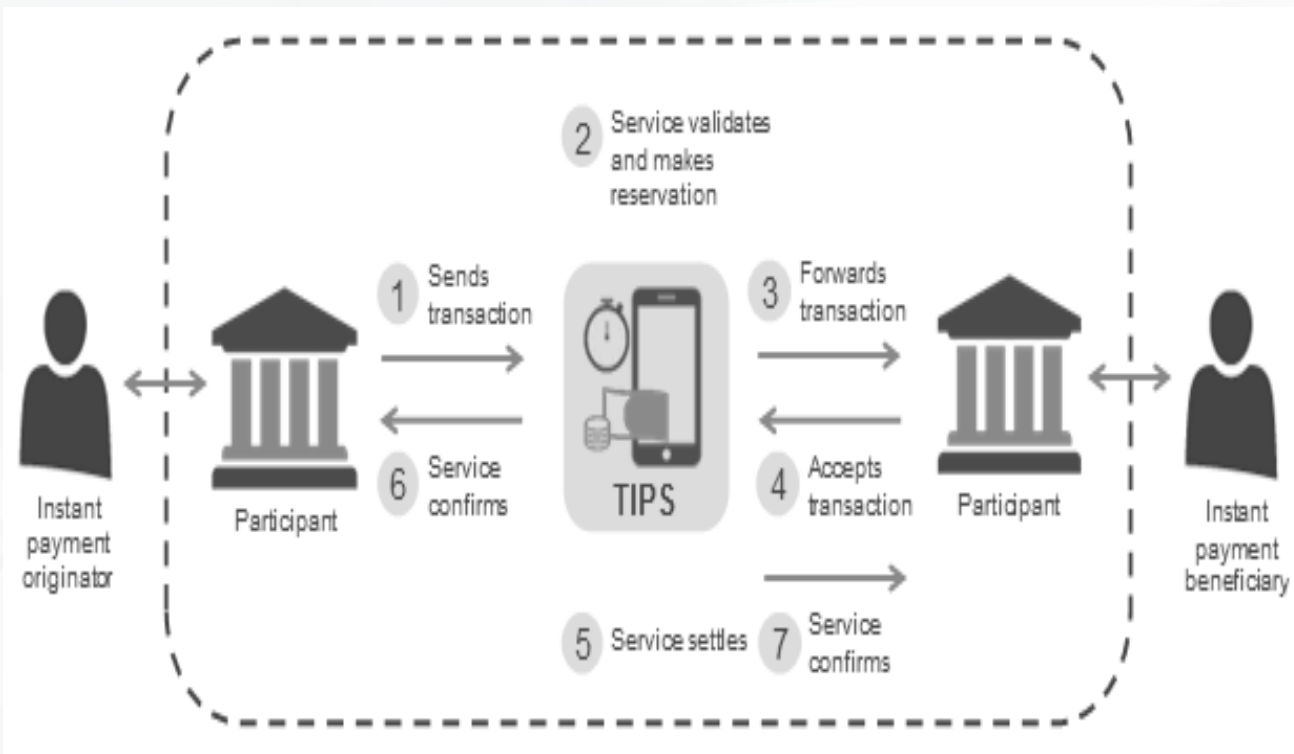
- **For Bank of Albania**

- **Legal, regulatory and supervisory capacity.**
- **Organizational/structural and operational capacity.**
- **Initial investment and cost-recovery.**

- **For Payment Service Providers (PSP)**

- **Organizational/structural capacity.**
- **Operational capacity (including core-banking and front-end interfaces).**
- **Ease of implementation and attracting new customers/customer familiarization.**

# TIPS SERVICES



Breakdown of the steps involved in settling an instant payment transaction with TIPS:

1. A participant **sends an SCT** Inst payment transaction message to TIPS.
2. TIPS **validates the incoming message** and **reserves the amount to be transferred**.
3. TIPS **forwards the payment transaction** for acceptance to the receiving participant.
4. The receiving participant **sends a positive reply to TIPS**.
5. TIPS **performs settlement**.
6. TIPS **confirms settlement to the sending participant**.
7. TIPS **confirms settlement to the receiving participant**.

TIPS solution is designed to:

- secure an end-to-end processing time of **ten seconds or less**;
- support **the expected large volumes of transactions** and meet scalability requirements;
- secure **availability around the clock** without maintenance windows;
- enable a **deployment process with no interruption in the service**.

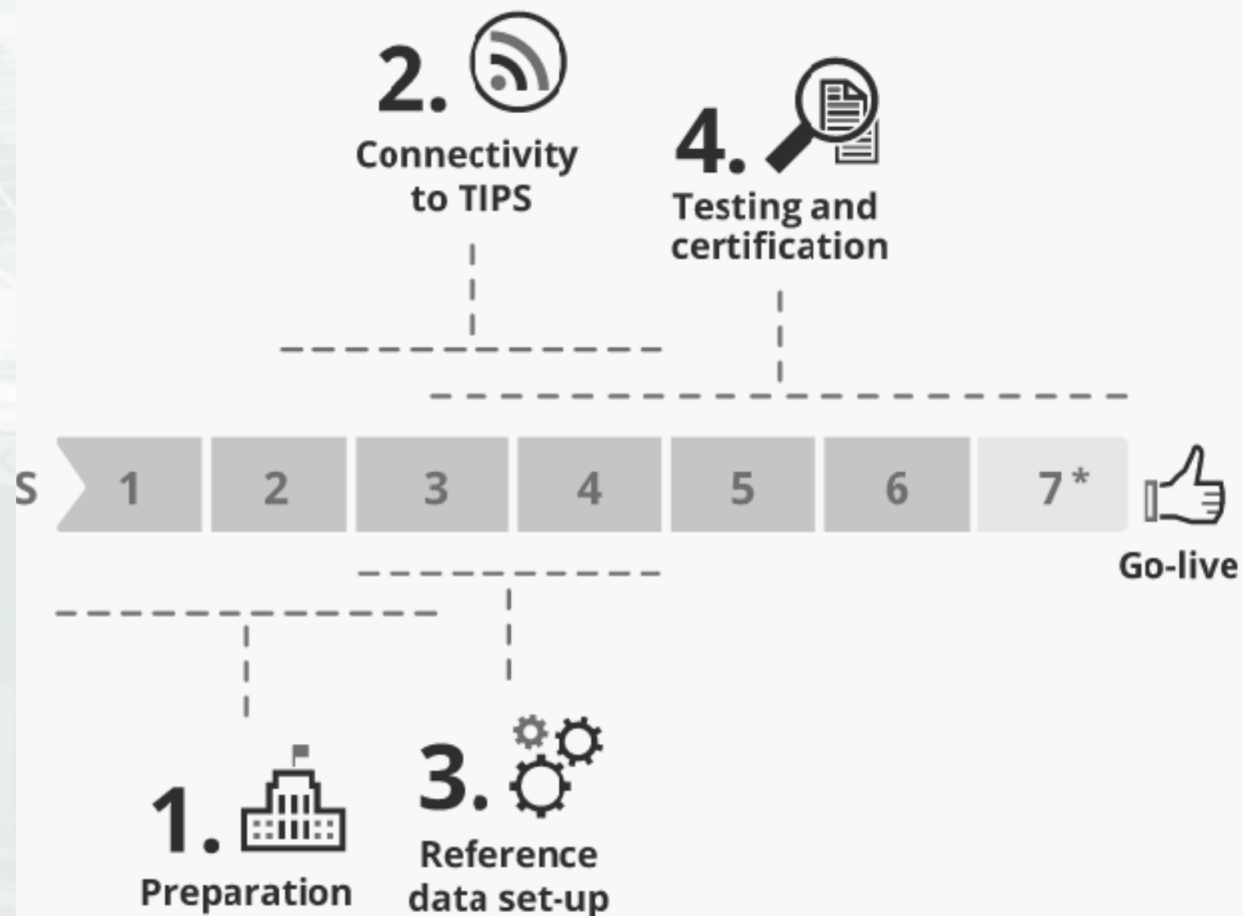
# TIPS Participation

There are three ways to access TIPS:

• **participant** - owns a TIPS account (dedicated cash account (DCA) for instant payment settlement in TIPS )



• **reachable party** - accesses a participant's TIPS account by entering into a contractual agreement with that participant



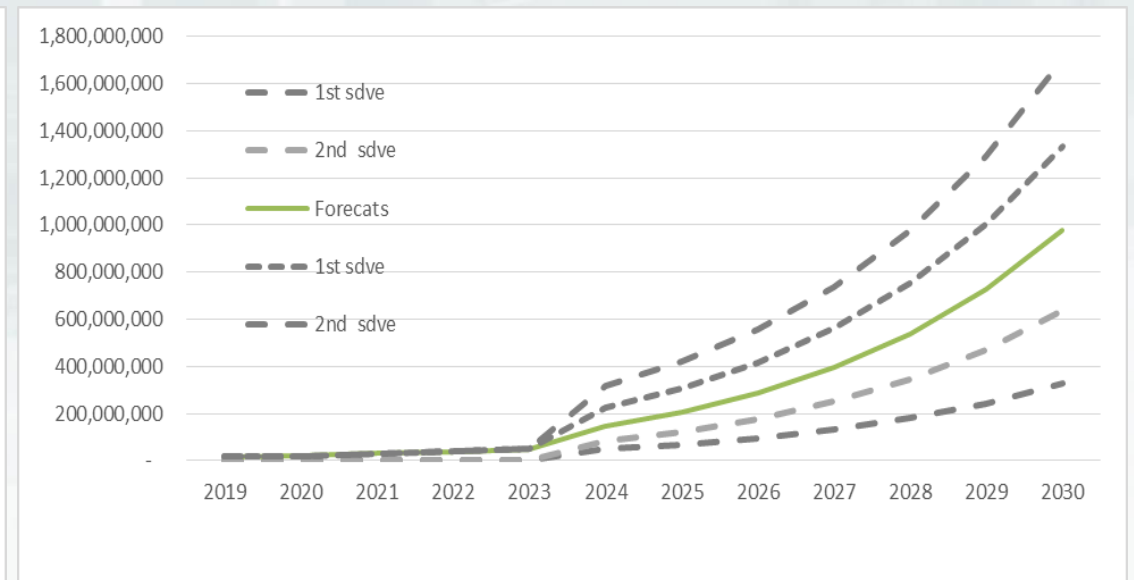


# THE VISION OF BANK OF ALBANIA FOR THE OPERATIONALIZATION OF INSTANT PAYMENT

- *Involvement of all market actors* in this project (banks and non-banks).
- *Creating a genuine/authentic payment scheme* and not simply operationalizing an instant payment system.
- *Inclusion in the scheme of all types* of payments (P2P, P2B, B2B, G2B, G2P, etc.).
- *Standardization of payment initiation* (QR-codes, standardized applications, etc.)

Such an approach would significantly increase electronic payments in the Albanian market.

Bank of Albania forecasts for instant payment transactions (left when only banks are included in the project and right when non-banks are also included).



## ....NEXT STEPS

- Establish an *interinstitutional working group*.
- *Infrastructural development* and *connectivity* development.
- *Developing overlay services* aiming to enhance the use
- **Defining the rules of the Scheme.**
- Following the **participation procedures** by the participants.



Thank you for the attention!