



Central Bank of the Republic of Kosovo

Summary

Meeting of National Payment Council

Date: 31 January 2024

Time: 09:00-15:30

On January 31, 2024, the annual meeting of the National Payments Council (NPC) was held. The meeting was chaired by the Chairman of the Council Mr. Dardan Fusha, Deputy Governor for Banking Operations at the Central Bank of the Republic of Kosovo.

Apart from expanded membership of NPC, including CEOs of banks and NBFIs, this meeting was also attended by the Governor of the Central Bank of Kosova, Mr. Ahmet Ismaili and the Minister of Finance, Labor and Transfers Mr. Hekuran Murati, with an opening/welcoming remarks, as well as representatives from Government Institutions (TAK, CRA, ISA, MIET), representatives from international institutions, such as World Bank and International Monetary Fund, the American Embassy (USAID), European office in Kosovo, SECO, and international card schemes Visa and Mastercard.

The meeting was opened by the Chairman of the NPC Mr. Fusha, who in his introductory speech, thanked the attendees for participating in this important meeting for the re-functionalization of the NPC with an expanded involvement of the leadership level membership, as an advisory body for the Central Bank and all member institutions, with the aim of increasing cooperation related to new developments, standardization and security of the payment system and services, at a very important moment of reforms in the legal framework and technical infrastructure, also related to the objectives of integration with the payment systems of the EU, and the region.

After the opening of the meeting Mr. Fusha passes the floor to the Governor Mr. Ismaili for a welcoming speech and greetings to the attendees, on which occasion Mr. Ismaili emphasizes the importance of this event, which aims to:

- Reorganization and functionalization of the National Payments Council (NPC), respectively, the expansion of the membership of the NPC as an advisory body in support of reforms in the field of payments and increasing the security of the National Payment System;
- Update on legal and technical infrastructure developments in the field of payments, such as developments in processes and plans for the advancement of the legal framework and technical infrastructure of the payment system and services; and
- Defining a national plan for financial inclusion and reducing the use of cash, where stakeholder activities will be defined and agreed to increase access to and use of payment accounts and

electronic payment instruments and reduce use of cash, with the aim of reducing the cost of payment services for a more efficient flow of transactions as well as other positive effects on the economy.

The Governor further added that the advancement of the payment system will accelerate the access of the Republic of Kosovo to the Single Euro Payments Area, known as SEPA and the Instant Payment System of the European Union, known as TIPS, as a strategic objective of CBK.

Mentioning the CBK's Strategic Plan 2024-2028, Governor listed some of the activities that are planned and related to on the field of payment systems, as well as listed some of the actions already taken in the regulatory and legal aspect, as preparation towards the implementation of the Strategic Plan, such as:

- Advancing the legal and technical infrastructure of CBK for membership in the SEPA Payments Scheme and access to the EU Instant Payments System (TIPS);
- The development of the technical infrastructure for enabling fast payments 24/7, the creation of the national QR Code and the standardization of the API for connecting systems;
- Reduction of cash payments and promotion of electronic payments;
- Creating opportunities for access to the payment system of non-bank payment service providers, as well as enabling the possession of IBAN to increase access to finance, within the "payment account" concept, pointing to the recently approved regulation;
- Re-functionalization of the National Payments Council;

At the end of his speech, the Governor stated that since the NPC has already expanded, and has a composition that reflects the financial system and the economy as a whole, I consider that we have an opportunity to coordinate the approach, activities and policies to achieve a development that substantially changes the situation, brings us to a new level, and much closer to our objectives of integration with the EU.

After the Governor, the chairman passes the floor to the Minister of Finance, Labor and Transfers, Mr. Hekuran Murati. Mr. Murati mentioned a number of projects undertaken, which support the digitalization of government services and the formalization of the economy.

Minister Murati emphasizes that meetings like NPC are a good opportunity to move forward in terms of the digitalization of payment services or in other words the reduction of cash, taking into account the need to address various aspects that affect this matter. According to Minister Murati, the benefits of digitization will reduce the administrative burden, including the cost of operation, increasing the integrity and security of every transaction. This also affects the avoidance of risks, such as the issue of counterfeit money, but also prevents the financing of illegal activities.

Further, Minister Murati also mentioned some of the projects that have been developed by the government, such as EDI and other measures, such as child allowances benefiting about 400 thousand children, which are carried out entirely in digital form. As a result of the cooperation with the CBK, where the verification of the accounts of the beneficiaries has been made possible, this whole process has been made possible to be carried out automatically.

Minister Murati emphasizes that regarding the reduction of cash, the Law on TAK which is already in force, approved last year, foresees some new mechanisms or instruments that aim to reduce cash and support the orientation towards digital transfers.

Minister Murati also mentioned the Ministry's cooperation with the World Bank in the field of digitization of payments. However, as a challenge for digital payments, Minister Murati also presented the issue of economic operators, which have a relatively high cost for a transaction, as well as currently the volume of digital payments is at an insufficient level. Another barrier remains the high cost per transaction, especially for small businesses, where part of the profit margin will have to be shared with the institutions that offer such services.

At the end of the speech, Minister Murati said that as a government we have the willingness to support them in order to take concrete steps in reducing the use of cash, with the aim of combating informality by increasing the possibility and efficiency of digital services.

After the speeches from the Governor Mr. Ismaili and the Minister Mr. Murati, Mr. Fusha took the floor for a presentation, who thanked Mr. Murati for the disclosure of the ministry's plans for the digitization of services, which are closely related to the strategy and objectives for the modernization of the payment system, in the establishment of a system that responds to the demands and needs of the market and the country's economy, simultaneously expressing that the support of the Ministry for these reforms is of particular importance and necessary for the achievement of our common objectives.

Mr. Fusha, in the capacity of chairman, continued with the moderation of this meeting, first presenting some of the main developments in process, as well as the CBK's short- and medium-term plans related to the advancement of the payment system, among other things, he explained in more detail the:

- Re-organization and operationalization of the National Payments Council (NPC); Revised NPC guidelines, NPC composition, powers and duties, including the creation of technical level working groups as a mechanism for developing and monitoring activities;
- Developments in the legal infrastructure, with a focus on the finalization of the Law on payment services and the review of the regulatory framework derived from this Law, presenting its advantages for the payment market, increasing competition, advancing consumer protection and the security of payment services, enabling open banking and advanced customer identification, as well as meeting the criteria for integration into EU systems;
- The project of the European Commission administered by the Regional Cooperation Council under the implementation of the World Bank, with the main goals: Fulfilling the legal and technical criteria for membership in SEPA and access to TIPS;
- Developments in the technical infrastructure, with a focus on the implementation of the Fast Payments System, known as Instant Payments and the advancement of the indirect access of NFBIs to the interbank payment system, through the new regulation for the equipment of all payment service providers (including NFBIs) with IBAN, as well as the standardization of the QR code, as a facilitating mechanism in the payment process.

Mr. Fusha disclosed details of the National Strategy for Low Value Payments, and the Cost Study of Low Value Payments, both of these projects implemented with the support of the World Bank within the Remittances and Payments Program – RPP sponsored by SECO.

Chairman Mr. Fusha closed his presentation by emphasizing that these actions and developments are necessary for the advancement of the payment system also present significant challenges, both from the perspective of the CBK and from the perspective of banks and non-banking financial institutions, in terms of capacities and investment required. Therefore, a greater cooperation and coordination among all the stakeholders is required as significant investments in infrastructure and capacities are necessary to reach EU standards and to provide 24/7 payment services such as fast payments. In addition to the advancement of market practices and consumer protection, taking into account the introduction of new services in digital form, financial education will also be in the focus of CBK, for which a wider cooperation with all members of the Council is required. Therefore, campaigns will be organized and supported for the financial education of users of payment services regarding the usage, benefits, implementation, security and importance of digital/electronic payments.

The meeting continued with a speech by Mr. Ilir Murtezaj, Director of the Tax Administration of Kosovo, who expressed TAK's commitment to the digitization of payment services as a process of great importance for the country's economy, in order to increase the efficiency of services and reduce informality. Also, he called for the interconnection of systems between institutions, giving commercial banks the opportunity to use the data of the Financial Statements that businesses report electronically to TAK through the CBK. The interconnection of these systems would create opportunities for increasing the quality of the data reported in the Financial Statements, as well as increasing security for stakeholders such as TAK, commercial banks and businesses. Mr. Murtezaj expressed TAK's commitment and readiness for development in the field of digitization in support of online and digital services and areas of interaction for achieving common goals at the country level.

The first part of the discussions continued with the presentation of Mr. Holti Banka, Senior Financial Sector Specialist at the World Bank, where as part of his presentation he covered Kosovo's integration path towards SEPA membership and the legal and technical criteria. The presentation continued by including the legal framework that needs to be completed, as well as focusing on the benefits that come as a result of SEPA integration, in terms of reducing the cost and time of making payments with the EU and the region. Also, as part of the presentation Mr. Banka presented details related to the Fast payments known also as "Instant Payments" and the advantages they bring to the payment market.

After Mr. Banka's presentation, the floor was given to Mr. Suat Bakkal, Chairman of the Board in the Kosovo Banking Association. Mr. Bakkal addressed those present, emphasizing that the banks are committed to supporting initiatives and the implementation of regulations aimed at formalizing the economy and transitioning to digital payments, ultimately reducing economic informality. The formalization of the economy is not just a bureaucratic effort, but it is a catalyst for greater access to financial services for the currently unbanked population.

In addition, Mr. Bakkal emphasizes that banks are prepared to lead this digital evolution, where they have invested significantly in advanced solutions related to Anti-Money Laundering (AML), cyber security and data protection mechanisms. Furthermore, Mr. Bakkal also highlighted the use of POS terminals by merchants, to create incentives to encourage merchants to use them. In conclusion Mr. Bakkal, said that the readiness of payment service providers in the context of new legal and infrastructural developments is a decisive step towards building a powerful and dynamic

digital economy. Banks are not only committed to this transformation, but are also equipped with the necessary mechanisms to lead this development.

The first part ended with the presentation of Mr. Lumni Rrustolli, Director of the Payment System Department at CBK, who disclosed some data on the current operational infrastructure of the interbank payment system, as well as statistical data related to payment instruments and services, financial inclusion, development of the payment infrastructure and transaction trends through electronic payment instruments, such as:

- Data on payment instruments, payment terminals (ATM, POS, VIRTUAL POS) and their use, with a focus on card payments and electronic payment instruments.
- The effects of the Regulation of Payment Accounts with Basic Services, in increasing access to accounts and financial inclusion.
- Campaign for the use of card payments; The role of institutions and the division of duties between them;

From the data presented, a continuous increase in the use of services and payment instruments based on digital technology is clearly observed, such as: the increase in the number of payments made at POS terminals with an average of over 40% in the last two years, the increase in the number of electronic payments is around 100% in the last year, and as a result of this, there has been an increase in the use of non-cash instruments, leading an average of 35.2 transaction per resident in 2023, exceeding the forecast of National Strategy for Small Value Payments, which aimed for this average to be 25 payments by 2026. From the presented data, it is also emphasized the increase in the use of the number of cards with debit function and cards with electronic money function, which in its entirety confirms the rapid digitization of payment services in the country and the reduction of the use of cash payments.

Another important data is the increase in financial inclusion in the country, through the data presented on the number of accounts, and especially the increase in the use of accounts for e-banking services, with an average increase of over 25% in the last two years, but also the effect of the Regulation for access to payment accounts with basic services, to over 320 thousand accounts converted to payment accounts with basic features, the holders of which can receive basic services free of charge.

Second part:

The second part begins with the presentation of Mrs. Oya Pinar Ardic Alper, Senior Financial Sector Specialist at the World Bank, who presented the World Bank's projects in various countries in support of the acceptance of electronic payments. As part of this presentation, there were also details and concrete factors that influence the increase in access to electronic payment services, elaborating on examples from other countries and the initiation of a similar project in Kosovo. This project is expected to be developed in parallel with the initiative of the CBK and the members of the Council to reduce the use of cash, which will be an important support of the activities that will be undertaken through the inter-institutional working group that will be established for this purpose.

After Mrs. Pinar, the floor was given to Mr. Petrit Baliija, Executive Director at the Kosovo Banking Association, who presented an overview of the advancement of services in function of

the increase of usage of card payments and other electronic instruments. In addition, Mr. Baliija said that there should be a proper legal framework with applicable law and that financial institutions should provide more attractive services for their customers.

After Mr. Baliija, representatives of Non-Banking Financial Institutions took the floor, Mrs. Eda Shaqiri and Mr. Gazmend Selmani, where they spoke about the advancement of services in for the increase in the use of electronic money for payments and the role and contribution of this sector.

Following the second session, Ms. Snezana Sofijanic, representative of Visa, who presented the promotion of financial inclusion and minimizing the use of cash. She also presented some examples of different countries for cash reduction campaigns, elaborating on the contribution that Visa has made in these cases.

The presentation continues, from Mrs. Silvia Hadzhivaneva, representative of Mastercard, who presented examples of other countries and advanced solutions, in order to increase the use of payments and terminals with cards. Ms. Hadzhivaneva presented several forms of inter-institutional cooperation and support provided by the MC in these cases, where as an important factor she raised the need for joint actions of all institutions, through regulation, incentives and education campaigns, in order to achieve the expected results.

The third part:

In the third part of the meeting, the conclusions and recommendations from this meeting were presented, with a special focus on recommendations for reducing the use of cash and enabling electronic payments, as well as recommendations for the creation of working groups related to ongoing projects for the developments of the legal and technical infrastructure in the field of payments, for the integration processes of the country, the advancement of digital services and the increase of financial inclusion. After discussions with the possibility of contribution and presentation of opinions, comments and positions by all parties present¹, the following conclusions were drawn from this meeting:

¹ All participants have been informed that this meeting does not contain any confidential information and in accordance with the rules defined by the legislation on competition, no direct or indirect information on competition issues was disclosed.

1. The members of the NPC agreed to the creation of the Working Group for Reducing the use of cash and increasing the use of electronic payments, and the division of tasks and following the steps through the recommendations which are presented as follows:

Central Bank of the Republic of Kosova

- *Chairs the Working Group for Cash Reduction;*
- *Coordinates the work of the group with other relevant institutions;*
- *Reviews and prepares the regulatory framework in support of the advancement and use of electronic payment instruments;*
- *Functionalization the acceptance of salaries and other schemes in the NFBI's payment account, through the provision of IBAN and their access to the national payment system;*
- *Standardizes/creates the national QR Code standard, in accordance with the international standards in force, which allow interaction with various payment options, as well as support the interconnection of the sales system/fiscal registers/universal sales platform with payment service providers;*
- *Advances the technical infrastructure for the processing and settlement of electronic payments through the construction of a new fast payment processing system;*
- *Organizes and supports the campaign for the financial education of users of payment services regarding the benefits, implementation, security and importance of digital/electronic payments;*

Ministry of Finance, Labor and Transfers and Treasury of Kosovo

- *Organizes and supports the campaign to educate users of payment services regarding the benefits, implementation, security and importance of digital/electronic payments;*
- *Improves the digital infrastructure so that public institutions have the opportunity to accept payments for public services physically through the use of cards and other electronic payment instruments (in addition to the services on the e-Kosova platform);*
- *Recognition of the validity of the proof of payments through e-banking, e-commerce, POS from state institutions (as equivalent to the proof of physical payment in PSP offices);*
- *Advancement of the technical infrastructure (on the e-Kosova platform or other government system) for connection with the new fast payment system;*
- *Considers the possibility of undertaking additional steps related to the reduced usage of cash, also in combating the informal economy, for example through:*
 - *A control system for cash payments over a certain amount by citizens/businesses, e.g., such as for businesses the amount of 2,500-3,000 euros (as a start), to consider setting a limit for businesses in the case of sales (similar to the restrictions on supplies from businesses, now with a new limit of 300 euros - from 500 as it was);*
 - *Restrictions on receiving wages from employment in the private sector – a significant part of workers in this sector do not receive payments through banking or financial channels;*
 - *Advancement of fiscal cash registers that enable integration with POS terminals and the unification of electronic invoicing or an alternative unified solution;*
 - *Creating an individual tax profile (tax report) for each buyer, or universal sales platform, to stimulate the receipt of the tax coupon and eventually any fiscal incentive in VAT for annual purchases made and paid by card;*

- Examines the possibility of stimulating demand through various incentive programs, in cooperation with CBK and the financial industry;

Banks and NFBIs

- Unification of POS terminals according to market developments and integration/unification in the fiscal cash register with the support of the relevant state authorities;
- Improving contractual conditions, to increase efficiency and provide greater support to merchants, with a focus on smaller merchants;
- Use of new forms of accepting electronic payments, through Soft POS, QR Code;
- Advancement of the infrastructure in the direction of adapting the fast payment system, including the contribution to the establishment of such a system in cooperation with CBK and other actors;
- Providing the service of accepting electronic payments for companies providing public services, public transport and government institutions, both through POS terminals and through e-banking and e-commerce according to the feasibility of the cases;
- Organization and support of campaigns to educate users of payment services regarding the benefits, operation method, security and importance of digital/electronic payments;

VISA / MC

- Organizes and supports the campaign for the education of users of payment services;
- Commit to work with the industry in finding solutions for the increase of electronic payment acceptance points in Kosovo through various initiatives and possible investments in the market;
- Commit to work with CBK and other institutions in sharing experiences from other countries to undertake concrete measures and actions that will contribute to the increase of sales points and the promotion of the use of electronic payments (non-cash);
- Facilitating the access of banks and NFBIs to new services, such as soft POS, virtual POS, P2P, P2B, P2G.; etc.;
- Supporting campaigns through contribution to the subsidy of POS terminals for businesses;
- Enabling faster clearing and settlement of card payment transactions, in the most optimal term;

Other government institutions such as BRAK, CRA, ISA, TAK:

- Setting up points of sale (POS terminals) in state institutions for card payments and finding technical solutions for identifying payments made at the POS;
- E-Kosova – to advance the infrastructure of the existing platform through the adaptation of the mobile application, through the possibility of other forms of payments and to expand the number of services offered through this portal;
- The possibility of access of banks/NFBIs to the basic data of the civil registry (CRA), in an acceptable format, in order to confirm the identity of clients, would increase the efficiency of services;
- Full implementation of the requirements of the legislation for electronic signature to enable electronic identification of clients;
- Tax or other incentives for businesses and citizens who make payments through cards or other electronic channels (similar to the case of fiscal coupons);

Kosova Chamber of Commerce/Business representatives/Retailers

- *Organize and support the campaign for the education of businesses/users of payment services regarding the method, security and importance of digital payments;*
- *Education regarding the cost of cash and savings through the use of electronic payment acceptance;*
- *Advisory role on the importance of cash supply through banks to avoid counterfeit money and encouraging the use of cards and other forms of electronic payments;*
- *Encouraging the use of e-Commerce by businesses, as well as identifying the factors that influence the possibility of e-Commerce, such as investment in the website/security, delivery of goods to the customer, etc.;*
- *Incentives for consumers who use electronic payment instruments.*

2. The members of the NPC also agreed to the creation of working groups for the development of legal and technical infrastructure in the field of payments, for the integration processes of the country, the advancement of digital services, the increase of financial inclusion, etc. The working groups will be divided according to the projects and the nature of the works, presented as follows:

- Upgrading the functions of the current KIPS system, which will include the participants directly in this system such as: CBK, Banks and Treasury of Kosovo.
- Harmonization of EU directives for membership in SEPA, the institutions involved: CBK, MFLT and other institutions related to the prevention of money laundering and the fight against financial terrorism, protection of personal data, etc., depending on the need.
- Implementation of the Law on Payment Services: CBK, Banks, Non-Bank Payment Service Providers.
- Acceptance of Kosovo in international online payment platforms, such as: PayPal, GooglePay, etc.; CBK, Banks, Relevant Ministries.
- Implementation of the Instant Payment system: CBK, Banks, Treasury of Kosovo, other Payment Service Providers.

CBK, within its scope, will assume its coordinating role for the establishment of these working groups and the division of tasks in order to achieve the goals for each group.

List of Attendees.

Invited to NPC meeting		
Institution	Name	Position
Central Bank of the Republic of Kosovo	Mr. Ahmet Ismaili	Governor
Ministry of Finance, Labor and Transfers	Mr. Hekuran Murati	Minister
Central Bank of the Republic of Kosovo	Mr. Bashkim Nurboja	Chairman of Governing Board
USAID	Mr. Alexander Albertine	Director of the US Office of Economic Growth (USAID) in Kosovo
EU office in Kosovo	Mr. Johannes Stenbaek Madsen	Head of Cooperation Sector - EU office in Kosovo
Embassy of Switzerland in Kosovo	Ms. Arjeta Lleshi	Senior officer of National Program

NPC Members		
Institution	Name of the member	Status in NPC
Central Bank of Republic of Kosovo	Mr. Dardan Fusha <i>Deputy Governor for Banking Operations</i>	Chairman
Central Bank of Republic of Kosovo	Mr. Lumni Rrustolli <i>Acting Director at Payment System Department</i>	Deputy Chairman
Central Bank of Republic of Kosovo	Mr. Blerim Terziqi <i>Acting Director at Banking Oversight Department</i>	Member

Central Bank of Republic of Kosovo	Mr. Elvin Mala <i>Senior official at CBK</i>	Member
Central Bank of Republic of Kosovo	Mr. Amir Zylfiu <i>Acting chief in Governor's cabinet</i>	Member
Treasury of Kosovo/MFLT	Mr. Nysret Koca <i>Acting General Director</i>	Member
Kosovo Banking Associations	Mr. Suat Bakkal <i>Chairman of Board at KBA</i>	Member
Kosovo Banking Associations	Mr. Petrit Balija <i>Executive Director at KBA</i>	Member
Kosovo Banking Associations	Ms. Akile Cernobregu-Hashani <i>Chair of the Payment Committee</i>	Member
²IFJB-Payment Institutions	Ms. Eda Shaqiri	Member
IFJB-Electronic Money Institutions	Mr. Gazmend Selmani	Member
Central Bank of Republic of Kosovo	Ms. Valmira Halili <i>NPC secretariat</i>	Member
Kosovo Banking Associations	Ms. Blendina Llabjani <i>NPC secretariat</i>	Member
TAK	Mr. Ilir Murtezaj	Attendee
AMIK	Mr. Shpresim Vranoci	Attendee
IMF	Mr. Selim Thaqi	Attendee
Kosova Chamber of Commerce	Ms. Eralda Kurtaj	Attendee
ISA	Mr. Genc Hamzaj	Attendee
Department for Consumer Protection-MIET	Mr. Nijazi Shala	Attendee
Agency for Civil Registration	Mr. Xhavit Gubetini	Attendee
Visa	Ms. Snezana Sofijanic	Attendee

² NPC members, representatives from Non-Banking Financial Institutions, are designated members for representation at this meeting. NBFIs must appoint and inform CBK about members with the right to vote, for future meetings in accordance with the Instruction for KKP.

	Ms. Tamara Gavrilovic	
Master Card	Ms. Silvia Hadzhiyaneva Ms. Vanya Manova	Attendee
Word Bank	Ms. Oya Pinar Mr. Holti Banka Mr. Bernardo Barradas Mr. Peter Jensen Ms. Edlira Dashi Mr. Andrea Monteleone	Attendee
Commercial Banks	Mr. Florent Lila – RBKO Mr. Visar Paçarada – PCB Mr. Orcun Ozdemir – TEB Mr. Gazmend Rrustemi – BpB Mr. Shpend Luzha – BE Ms. Arta Mirashi – IsBanka Mr. Kenan Bozkurt – Ziraat Mr. Fisnik Behxheti – Pribank Ms. Arnuela Aliko - Credins NLB bank - NLB	Attendee
NFBIs	Mr. Burim Geci – Posta e Kosovës Mr. Adrian Zylfiu – Moneta (Money Gram) Mr. Genc Sheholli – Capital (Ria) Mr. Astrit Sallauka – Vllesa Co (Ria) Mr. Astrit Dobraj – Finser Ms. Blerina Sadikaj – Paysera Mr. Faredin Agaj – Velanis/Swinto Mr. Yll Dushi – Onefor Kosovo	Attendee
EU office in Kosovo	Ms. Feride Zeka	Attendee
Central Bank of Republic of Kosovo	Mr. Ramadan Matarova Mr. Ilir Hasani Mr. Ibrahim Krasniqi	Attendee