



## SPI Project on Reducing Cash Transactions

### Project Objectives

1. To prepare a protocol on a common policy in respect of the actions and measures to be undertaken by the banks for reducing the volume of cash transactions.
2. To build consensus among banks in order to sign and implement the protocol.

### Project Management Team

**Project Owner (PO):** Oliver Whittle, CEO, RZB

**Project Manager (PM):** Robert Wright, Commercial Director, BKT

**Deputy Project Manger (DPM):** Marseda Dumani, Head of Payments

## Minutes

### First meeting

July 28, 2008—AAB premises

**Attendees:** Robert Wright, RZB (PM)  
Jonida Vaso, Union Bank (member)  
Odeta Peterci, Tirana Bank (member)  
Suela Totokoci, ABA (member)  
Griselda Cela, Credins (member)  
Oscar Occhipinti (TAN)  
Brikena Alliu, ProCredit Bank (observer)  
Alketa Shehu, ProCredit Bank (observer)  
Aran Bare, Alpha Bank (observer)  
Violeta Skenderasi, Emporiki, (observer)

### SPI Albania Secretariat

Mrs. Anuela Ristani, Director of Operations, [anuela.ristani@spi-albania.eu](mailto:anuela.ristani@spi-albania.eu)

Ms. Elona Bollano, Director of Analytics and Policy, [elona.bollano@spi-albania.eu](mailto:elona.bollano@spi-albania.eu)

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# Agenda

- I. Welcome Note - SPI Secretariat
- II. Presentation from Mr. Oscar Occhipinti on ABI experience in Anti-Cash Measures.
- III. Project Working Group Meeting
  1. Introduction of the Project Management Team and Members.
  2. Project Terms of Reference presentation (Discussion and approval)
  3. Scoping of the Problem Document presentation (Discussion and approval)
    - To understand the current context and the policy goals
    - To analyze the impact for users' regulated firms and regulators
    - To formulate recommendations on policy options
- IV. Conclusions and distribution of tasks
- V. Closing Remarks

## **I. Welcome Note - SPI Secretariat**

SPI Secretariat welcomed all the attendees, and Mr. Oscar Occhipinti, Lawyer for the ATM Transactions in the Italian Association of Banks, who will serve the Working Group as a Technical Anchor through his presentation on Italian Anti-Cash Measures. The participants introduced themselves and their respective institutions.

## **II. Presentation by Mr. Oscar Occhipinti on ABI experience in Anti-Cash Measures**

Mr. Occhipinti made a presentation on the ABI Experience in Reducing Cash Transactions. The presentation started by illustrating the size of the cash transactions in Italy as compared with other European countries and by inventorying the causes that generated and maintained this situation in Italy, among which the cultural barriers (preference for cash) and the trade specificities (small merchants instead of supermarkets) could be valid also in Albania case. Cash transactions are carrying a high cost not only for the banks but for the whole economy – in Italy the costs were estimated at EUR 10 billion per year. The costs are incurred by businesses, public administration and individuals. At the same time, a large portion of cash transactions in total transactions could favor the informal economy; in Italy, the underground economy is evaluated at 26% of the GDP. Some of the issues being valid not only for Italy but for Albania as well, could serve as a strong starting motivation and benchmark for improving the situation on cash usage in the country.

ABI's response to the situation on the large volume of cash transactions was translated in regulatory and non regulatory proposals.

The non-regulatory measures were mainly directed to creating new benefits for merchants and developing new products and included a major promotional and educational campaign on the use of cards. This campaign was lead and financed by the two main card companies, the breakeven point for their investment in this campaign being the increase with 1.5 transactions/card/year and involved also the merchants. ABI proposed also an outstanding role for banks in the development of cashless payments, by promoting the use for current payment instruments and by developing new ones, capable of helping users eliminate barriers to their use. (for example, product packages in order to stimulate merchants to use POS or promoting new technologies such as contact-less payments and payments through mobile phones or new payment instruments such as direct debit).

The regulatory proposals formulated by ABI included:

1. Definition of a cap to cash transactions;
2. Obligation for professionals, merchants and Public Administration Offices not to accept cash for payments which top a determined amount;
3. Definition of a cap above which wages/salaries cannot be paid by cash;
4. Credit transfers to citizens must be executed by Public Administration Offices using modern payment means;
5. De-taxation of specific contributions;
6. Reduction or cancellation of registration taxes on basic bank accounts.

The working group found the presentation very useful and informative. The members expressed a particular interest in the process of how the war on cash was conducted with regards to the identification and quantification of the costs and effects in the economy. Mr. Occhipinti will provide to the PWG a summary of ABI's study on the costs of maintaining the current high level of cash transactions.

Some of the regulatory measures proposed by ABI have already been applied in Albania as result of actions taken by Albanian authorities. However, the Italian experience offers a valuable benchmark for the PWG mission.

### **III. Project Working Group Meeting**

#### **1. Introduction of the Project Management Team and Members**

In the quality of Project Manager, Mr. Wright made an opening note on the importance of this project and his previous experience in other countries on the same issue. The anti cash initiatives are not mere measures to increase the business for the banks, but they benefit many more actors, be them public or private.

#### **2. Project Terms of Reference presentation (Discussion and approval)**

The motivation for undertaking this project was drawn by the banks indications on the particular importance of cash transactions volume and under the current context where the Albanian government has given a clear message of welcoming any measure that helps

fighting informal economy. There are a lot of similarities between cash issues in Albania and the ones introduced by Mr. Occhipinti.

An important aspect of this project would be quantifying, similarly to ABI's case, the costs to the Albanian economy deriving from high volume of cash transactions. The WG agreed on exploring the possibility to undertake a study on the causes of such a high volume of cash transactions through hiring a Research Company funded by the banking Community. SPI secretariat will follow up through preparing a background note on the importance of such study for successful anti-cash measures and a briefing document for a research agency in order to obtain a proposal on the time and costs required for a survey performed with the public and companies. Based on the inquiries with the survey companies, SPI Secretariat will prepare a feasibility note by adding to the background note the estimated outputs, costs and time required by this survey. PMG will seek for the banking community's approval.

The PWG suggested enlarging the WG composition by inviting other important stakeholders in reducing cash transactions such as Credit/Debit Card Companies, Mobile Operators, Ministry of Finance, and other Public Utility Institutions' representatives.

### **3. Scoping of the Problem Document presentation (Discussion and approval)**

The scoping of the problem for this project is particularly important since there are many parties that may benefit from this project outcome without even being aware of this fact. While there are some measures already taken by the government there is no measurement on how effective they have been and from the day to day activities of the banks it seems like the problem of the high volume of cash transactions is still consistent. Customers seem to have a low sense of confidence in the ability of the current POS-es (traditionally cash transaction places) to correctly process their payments.

The PWG suggested following up with ABI in order to better understand the Mc Kinsey study conducted in Italy. The SPI Secretariat will work on exploring the possibility of having a short visit to ABI together with a PWG member in order to study the entire paper (not only the summary provided by ABI) and understand its strategy, methodology and outputs. SPI Secretariat will follow up through drafting a letter to ask for the possibility of such a visit to ABI premises.

- Understanding the current context and the policy goals

The WG agreed with the current context and policy goals and the specific objectives as stated by SPI Secretariat in the document. Analyzing the impact for users' regulated firms and regulators

There are costs related with the production of cash with the administration from the employees in the Central Banks, the safety and transport issues, the costs association with the destruction of damaged cash in circulation. Costs to the banks include mainly the costs with employees dedicated to deal only with CASH, ATM installation and maintenance, etc. For consumers the costs include time, lost cash, stolen cash, etc. The companies dealing with large amounts of cash are incurring similar costs as banks.

Although cash leakages costs exist, they are not currently quantifiable. However the perception that banks are the main beneficiary of cash reduction is not correct. Directly and indirectly, the consumers and the companies are the main beneficiaries.

Based on international experience, some measures that could help the reduction of cash transactions include: discounted utility bills if paid by direct debit, or extra fees for cash payments.

- To formulate recommendations on policy options.

Market intervention is always costly; however the current cash transactions volume is too high not to intervene. It may take significantly longer to leave the market adjust itself with regards to cash usage comparable to international standards. The proposed measures were envisaged to be more self-regulatory rather than regulatory since some of the latter are already implemented and in order to ensure a faster implementation. The door still remains open for regulatory measures to be agreed based on the findings of the above mentioned survey.

#### **IV. Conclusions and distribution of tasks**

PWG agreed on the following actions and tasks:

- SPI Secretariat will see to enlarge the WG by preparing the invitation letters to be sent by PMG to important stakeholders such as: Credit/Debit Card Companies, Mobile Operators, Ministry of Finance, and other Public Utility Institutions' representatives.
- The SPI Secretariat will draft a background note on the importance of the study to assess the current costs of cash usage for consumers and companies and the causes of the high volume of cash in Albania (so as PWG can address through their proposals these causes) and on the required output of a survey
- Based on the above mentioned document, SPI Secretariat will ask for offers from research companies in order to obtain their proposal on the time and costs required for a national scale survey assessing the causes and the costs of cash usage in Albania.
- Based on the feedback received from research companies, SPI Secretariat will prepare a feasibility note for the banking community's approval.
- PMG will seek for the banking community's approval.
- The SPI Secretariat will draft a letter addressed to ABI as a request to arrange a visit in their premises and ensure access to their Mc Kinsey study conducted in Italy.

#### **V. Closing Remarks**

The second Working Group meeting is suggested to take place by mid September, 2008.