



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, RB

Project Manager (PM): Robert Wright, Commercial Director, RB

Deputy Project Manger (DPM): Elivar Golemi, Head of Payments, BoA

Minutes

Second meeting

September 24th, 2008—AAB premises

Attendees: Robert Wright, RB (PM)

Jonida Vaso, Union Bank (member)

Griselda Cela, Credins (member)

Nevila Kraja, ProCredit Bank (member)

Teuta Kodra, ProCredit Bank (alternate member)

Anila Celiku, Vodafone (member)

Endri Ikonomi, Emporiki, (observer)

Mirela Berdufi, Emporiki, (observer)

Anuela Ristni, SPI Albania Director of Operations

Elona Bollano, SPI Albania Director of Analytics and Policy

SPI Albania Secretariat

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AGENDA

- I. Project Progress Briefing
- II. Revised Scoping of the Problem Document presentation (Approval)
- III. Note on Research Companies' Proposals for a National Scale study on Cash Volume Costs in Albania (Discussion and Approval)
- IV. Banks' Cost-Benefit Questionnaire Draft Presentation (Discussion and Approval)
- V. Note on International Experience (Discussion and Approval)
- VI. Conclusions and distribution of tasks
- VII. Closing Remarks

I. Project Progress Briefing

The SPI Secretariat briefed the PWG on the project progress after the first PWG meeting:

- SPI Secretariat contacted all the institutions suggested by the PWG in order to invite them to appoint representatives in the PWG. SPI Secretariat drafted the invitation letters that were signed by the PO and sent invitations to: Mobile Operators, Ministry of Finance, and other Public Utility Institutions' representatives. The Credit/Debit Card Companies may not be represented in the working group since they do not have local offices or representatives in Albania. So far the PWG is enlarged by representatives from Vodafone Albania, Albanian Mobile Communications, and Ministry of Finance. SPI Secretariat has contacted the Albanian Electro-Energetic Corporation (ex-KESH now OSSH) but due to their current restructuring under the privatization process, the Corporation could not commit to any project that would demand changes in their current policies/procedures. Despite SPI Secretariat efforts, the utility companies (currently state-owned) were not willing to commit to the SPI Albania Reducing Cash Transactions project.
- The SPI Secretariat drafted a Request for Proposals that was reviewed and approved by the PM. The Request for Proposals was sent to 4 selected research companies, out of which only 3 managed to submit their proposals on time. SPI Secretariat drafted a summary note on the importance of performing a national scale study to measure the costs of cash volume in Albania and the reasons for the current cash usage. The draft note includes an analysis of the offers received as well as the draft PWG recommendations to AAB.

- The SPI Secretariat has addressed a request letter to ABI through AAB in order to arrange a visit in their premises and ensure access to their Mc Kinsey study conducted in Italy. The SPI Secretariat plans to organize such a visit early October, after ABI's final confirmation is received.

II. Revised Scoping of the Problem Document presentation

The Scoping of the Problem documents template is based on the EU Better Regulation approach. The document builds on the market/regulatory failure analysis. In this context, the high level of cash transactions in the banking system is considered as a market failure due to the weak market power to identify the proper incentives for non-cash transactions and disincentives for cash transactions and thus to decrease their operational costs.

Authorities have undertaken several regulatory actions in order to reduce cash transactions, but an assessment on the effectiveness of the measures taken until now might be too early. Banks' complains on the high level of cash transactions show that, for the time being, the regulatory interventions still have not generated the desired effects. It seems that companies succeeded to identify ways of "tricking" the regulatory requirements. Therefore, this situation indicates a regulatory failure as the legal actions cannot be considered as very effective.

The approach that can yield faster positive results in the "war" to cash is to promote the application of self regulatory actions by all banking market participants (option 1). On the other side, there might be additional regulatory measures to be undertaken that in other countries proved more effective (option 2). The most effective approach to reduce the level of cash transaction is to combine the self regulatory measures of the banking industry with regulatory measures that not only tack with the effects - high level of cash transactions, but also the root of the problem - informal economy, financial literacy.

The PWG approved the scoping of the problem document without objections.

III. Note on Research Companies' Proposals for a National Scale study on Cash Volume Costs in Albania (Discussion and Approval)

SPI Secretariat presented the Draft note on Research Companies' Proposals for a National Scale study on Cash Volume Costs in Albania.

The note summarizes the project background, its steps, objectives, and the current status and it introduces the need for research that will strengthen the efficiency of project outcomes and provide for a valuable tool in the 'war on cash' with reference to ABI's real life experience. The Draft Note compresses all relevant aspects of the research proposal offers received from 3 out of 4 selected research companies. The offer analysis is based principally on the methodology (sampling and quantification), required cost and time estimations, expected deliverables, companies' profile and references and structuring

After the necessary adjustments and revisions are made accordingly to the Project Working Group recommendations, the Note will be then forwarded by the PM to the AAB for sponsorship approval.

IV. Banks' Cost-Benefit Questionnaire Draft Presentation (Discussion and Approval)

The SPI Secretariat has drafted a Cost-Benefit questionnaire on cash and non-cash payments. The SPI Secretariat presented the main sections of the questionnaire and asked for PWG feedback. The PWG members suggested that the answers on some of the questions may be found through Bank of Albania statistics rather than quantifying them for all banks in total. The PWG recommended the SPI Secretariat to consult with cash managers from PWG participating banks in order to obtain a more detailed insiders' information on the structuring of costs and cash management. This information would improve the questionnaire in its relevance and applicability for each of the items to be assessed. After consulting with Cash Managers, SPI Secretariat will send to PWG a revised draft of the questionnaire for additional comments/approval.

V. Note on International Experience

SPI Secretariat presented the Draft Note on International Experience. The note includes information on the trends in using retail payment means in selected EU Countries and benefits of using cashless versus cash payments.

The PWG welcomed the very informative note and recommended the SPI Secretariat to include additional information on SEPA (Single European Payment Area) and some data from neighbor countries.

IV. Conclusions and distribution of tasks

PWG agreed on the following actions and tasks:

- PWG will consult the Draft Note on Research Companies' Proposals for a National Scale study on Cash Volume Costs in Albania and will send their comments along with the comments of the current meeting minutes. SPI Secretariat will aggregate all comments and will incorporate them in the note. The revised draft will be sent to the PWG members for final confirmation. After PWG endorsement, PM will forward the note to AAB for approval and further actions. SPI Secretariat will follow up with AAB and coordinate with PMT in supporting AAB actions.
- SPI Secretariat will ask for DPM's support in providing statistical data at the banking system level on specific questions included in the Cost-Benefit Questionnaire Draft.

- SPI Secretariat will meet with the cash managers from Raiffeisen and/or Union Bank in order to obtain their opinion and suggestions on the Cost-Benefit Questionnaire Draft.
- After getting PWG agreement on the cost and benefit questionnaire, SPI Secretariat will run the consultations with banks through AAB. SPI Secretariat will collect and aggregate individual answers and draft a document on the findings.
- SPI Secretariat will meet with PWG members representing Vodafone and the Raiffeisen/Union Bank representatives who are handling direct debit payments for Vodafone customers in order to draft a case study as part of the deliverables of this project. The case study will illustrate a success story on how direct debit (cashless payment) is currently applied for mobile telecommunication payments satisfying customers, providers and mediums (banks) by reducing costs and increasing business.
- SPI Secretariat will revise all documents presented accordingly with the PWG recommendations.

V. Closing Remarks

The second Working Group meeting is suggested to take place during the week of October 27th, 2008.