



SPI Project:

“Reducing Cash Transactions”

Questionnaire on

Costs and Benefits of various

means of payments

Prepared by

SPI Albania Secretariat

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I. Context

The Albanian authorities have undertaken several legal and administrative initiatives to reduce cash transactions in economy with final objective to combat the informal economy.

- In July 2007, the Albanian Government amended some articles in the Law on Taxation Procedures in the Republic of Albania that are in line with cash reduction initiative. The upper limit allowed to use cash for the purchase of goods and services was revised downward from 1,000,000 lek to 300,000 lek, but not more than 10% of the total purchases of that fiscal year / tax period. All the acquisitions above this amount should be paid through the banking system.
- Prior to this law amendment, the Council of Ministers has issued a decree on May 2007 on the minimal reference monthly wage to be used in the computation of the social security, health insurance and tax contributions with the provision that contributions have to be paid to the respective state institutions through the banking system or the post office network.
- In addition to the legal aspect the General Directorate of Taxation is working for modernizing the payment procedures in order to facilitate the non-cash payment of the taxes. They are working on the implementation of an on-line payment system and on the reduction and the simplification of the procedures to be followed by the taxpayers.

In 2003 Bank of Albania in collaboration with other institutions initiate a campaign for the reduction of the use of cash in the economy¹. In addition to this campaign, in order to facilitate the interbank payments BoA has implemented:

- (i) the Albanian Interbank Payment System (AIPS) that settles systemically important payments (such as payments between settlement participants, bank-to-bank payments, including payments to and from the BoA; payments on government securities transactions, using the DVP mechanism; net transfers of funds requiring designated time settlement; and large-value customer payments. This is a system based on the core RTGS principles;
- (ii) The Albanian Electronic Clearing House System (AECH), an electronic clearing system owned and operated by BoA, in which files of bulk (high volume) low value payment instructions (both credit transfers and direct debits) are exchanged among banks and other credit institutions after the net positions have been settled through RTGS.

AIPS and AECH have automated the clearing service provided by the Bank of Albania to commercial banks for processing payments to their clients. The implementation of these systems improvements in the national payments system in terms of increasing speed, reducing cost and security increasing in their processing. Did banks decrease their charges for payments according to the cost reduction?

¹ Some of the changes and amendments presented above were identified during this campaign.

Despite these initiatives undertaken it seems that the intended effects are not completely materialized and the volume of cash transactions continues to be high. **The high level of cash transaction raises concerns to the banks. These concerns are related to the costs associated with handling the cash and with the inefficiency produced by the high level of unused liquidities.**

SPI Albania is running a project on reducing cash transactions with two 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.

In order to further reduce cash transactions, in a later stage SPI Albania and the local stakeholders could undertake a project on the possibility of setting up a domestic hard currency payment system.

PWG is currently drafting the proposals for amending the Civil Procedure Code which will be subject to consultations with the entire banking community.

PWG composition

Project Owner: Oliver Whittle, Raiffeisen Bank
Project Manager: Robert Wright, Raiffeisen Bank
Deputy Project Manager: Dashmir Halilaj, Bank of Albania

Project Working Group Members: Jonida Vaso, Union Bank
Griselda Cela, Credins Bank
Liliana Nanaj, American Bank of Albania
Elird Qendro, Mirela Pekmezi, Italian Bank of Development

II. Purpose of the banking survey

The purpose of the survey is to assess and quantify the costs associated to various cash and cashless means of payment.

III. Procedures to run the banking survey

You are kindly requested to support the clarification of the negative aspects of the bailiff service by answering this questionnaire.

Please send your answers to SPI Secretariat who stands ready to offer you more details.

Your answers will be treated in strict confidentiality. The results of the banking survey will be disclosed only at aggregate level

Please send your answers by October, XX, 2008.

For eventual further clarification needs, please indicate below the contacts of the person who completed the questionnaire:

Name.....

Position.....

Bank.....

Email address:.....

Tel/Fax.....

Thank you for participating in this survey!

IV. Questions

A. Costs generated by cash management.

1. How many employees do you have working on the cash desks?
2. How many operation managers do you have supervising the work on the cash desk?
3. How many hours per day in average does the operation manager spend in dealing with cash issues?
4. In average, how many transactions does one cash officer perform daily?
5. What is the average annual cost (salary and contributions) for a cash officer?
6. What is the average annual cost (salary and contributions) for an operation manager?
7. Do you involve other categories of personnel in managing cash transactions?
Yes No
8. How many?
9. How many hours per day / days per year/month?
10. What is the average cost (salary and contribution)?
11. Which are the most common transactions performed in the cash desk? Please specify is possible if the transaction most commonly is performed for households or for businesses.
 - money deposits
 - money withdrawals
 - payments for utilities
 - money transfers
 - foreign exchange
 - other
- 12.1. On average during the month, how often do you have to transport cash:
12.2. Distance
13. How much does it cost to transport cash:
 - Total _____
 - o security _____
 - o vehicle _____
 - o other _____

B. Transaction Costs different means of payments

1. Please state the annual total value of cash transactions.
2. Please state the annual total value of the commission paid for purchasing cash.
3. Please state the annual total value of cash transactions from third parties, specify:
 - Households
 - Businesses
 - o Small
 - o Medium
 - o Large
3. Please state the annual total value of cash deposits from third parties, specify:
 - Households
 - Businesses
4. How many employees do you have working on the payments and cards?
2. How many operation managers do you have supervising the work on payments and cards?
5. How many hours per day in average does the operation manager spend in dealing with payment issues?
6. In average, how many transactions does one officer perform daily?
7. What is the average annual cost (salary and contributions) for a payment officer?
8. What is the average annual cost (salary and contributions) for an operation manager?
9. Do you involve other categories of personnel in managing payment transactions?
Yes No
10. How many?
11. How many hours per day / days per year/month?
12. What is the average cost (salary and contribution)?
13. Please state the annual total value of payments, specify:
 - Interbank (domestic) transfers
 - Incoming
 - Outgoing
 - Cross border transfers
 - Incoming
 - Outgoing

14. Please state the average payment commission per value unit / transaction on:

- Interbank (domestic) transfers
 - Incoming
 - Outgoing
- Cross border transfers
 - Incoming
 - Outgoing

15. Please fill in the table with the annual number of transactions, total annual value and the average payment commission per value / transaction on the following non-cash transactions:

Non-cash transactions	Number of transactions	Total value Lek / eur	Average payment commission
Credit transfers			
Direct debits			
Cards payments			
Cash cards			
Debit cards			
Credit cards			
Other cards (please specify)			
Cheques			
Other (please specify)			

ATMs

1. How many ATMs does your bank have?
2. What costs are involved in setting up an ATM, and what is the respective value.
 - a. License _____
 - b. Rent _____
 - c. Purchase _____
 - d. Operational (workers) _____
 - e. Installment _____
 - f. Other (specify) _____
3. What costs are involved in maintaining an ATM, and what is the respective value.
 - a. Security
 - b. Electricity

- c. Routine maintenance
 - d. Other (specify)
4. other

POS

1. How many POS does your bank have?
2. What costs are involved in setting up a POS, and what is the respective value.
 - a. License/Agreement ____
 - b. Purchase ____
 - c. Operational (workers) ____
 - d. Installment ____
 - e. Other (specify)
3. What costs are involved in maintaining anPOS, and what is the respective value.
 - a. Security
 - b. Electricity
 - c. Routine maintenance
 - d. Other (specify)
4. other

Cards

1. What costs are involved in issuing a credit card, and what is the respective value.

	Card C. 1	Card C. 2
a. License/Agreement with the card company	-----	-----
b. Annual commissions to the card company	-----	-----
c. Cost of printing	-----	-----
d. Other	-----	-----