



Project: Reducing Cash Transactions
Time: Monday, 28 July, 2008, 09:00 am
Location: Albanian Association of Banks

First Working Group Meeting

AGENDA

- Welcome Note - SPI Secretariat
- Presentation from Mr. Oscar Occhipinti on ABI experience in Anti-Cash Measures.
- Start of the Working Group Meeting, Introduction of the Project Management Team and Members.
- Project Terms of Reference presentation (Discussion and approval)
- 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
- Conclusions and distribution of tasks
- Closing Remarks

SPI Albania Secretariat

Mrs. Anuela Ristani, Director of Operations, anuela.ristani@spi-albania.eu

Ms. Elona Bollano, Director of Analytics and Policy, elona.bollano@spi-albania.eu

Address: Twin Tower I, Kati 6, Apt. A3. Tirana, Albania. Tel. +355 42 280 359; Fax. + 355 42 280 371



TERMS OF REFERENCE

Project: Reducing cash transactions

Project Owner: Mr. Oliver WHITTLE, Raiffeisen Bank.

Project Manager: Mr. Robert Wright, Retail Division, Raiffeisen Bank.

Deputy Project Managers: Marseda Dumani, Payment Department, Bank of Albania.

Technical Anchor (TAN): Oscar Occhipinti, Italian Association of Banks

Project Working Group: Representatives of banks, BoA, Other public and Private Institutions

I - Background - Identification of the problem

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.

SPI Albania Secretariat

Mrs. Anuela Ristani, Director of Operations, anuela.ristani@spi-albania.eu

Ms. Elona Bollano, Director of Analytics and Policy, elona.bollano@spi-albania.eu

Address: Twin Tower I, Kati 6, Apt. A3. Tirana, Albania. Tel. +355 42 280 359; Fax. + 355 42 280 371



- 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?

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.**

II - Project Objective – Definition of policy goals

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

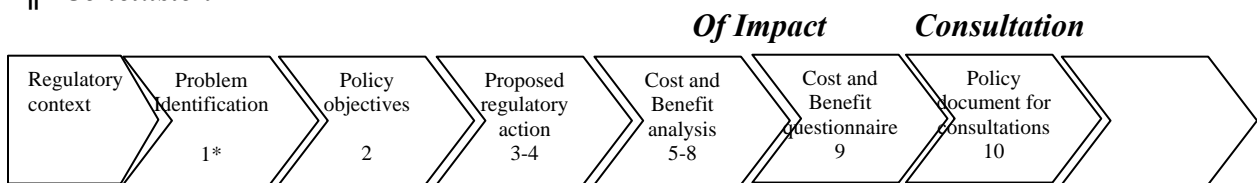


1. To prepare a protocol on a common policy in respect of the actions and measures to be undertaken by the banks for reducing the volume of cash transactions.
2. To build consensus among banks in order to sign and implement the protocol.

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.

III – Intended Strategy – Description of the Better Regulation 9 steps

=====Scoping of Problem===== || =====Analysis ===== || = Policy
 = || =Conclusion=



* See attachment

The project management group (Project Owner, Project Manager, Deputy Project Manager, supported by the SPI Secretariat) will act based on the mandate received from the SPI Committee to undertake initiatives to further reduce the volumes of cash transactions within the banking system.

1. The project management group (PMG), with the support of SPI Albania Secretariat, will work to build consensus among banks for signing a self regulatory protocol / agreement that will lead to the reduction of cash transactions volumes. The main purpose of this protocol will be:
 - a. the reduction of cash transaction by creating disincentives for cash use; combined with
 - b. the increase of non-cash transactions by creating incentives for the costumers to use alternatives to cash.

The protocol will be prepared based on the outcomes of the following actions:

- PWG will conduct through AAB a market survey to collect information on the level of commissions for domestic payments; how are set prices² for domestic payments; banks’ costs generated by the process of handling, depositing, securing

² In the term “price” includes the term commissions, fee, interest or any other type of payment charged by the bank to the costumer for the use of a certain product or service.



and transporting cash and bank’s potential impact of lowering the commissions for non-cash transactions; identify and draw the transactions profile of the biggest clients (like e.g. the communication companies, the water supply company or KESH) that process high volumes of cash transactions.

- PWG with the support of SPI Secretariat will conduct a research on the international experience;

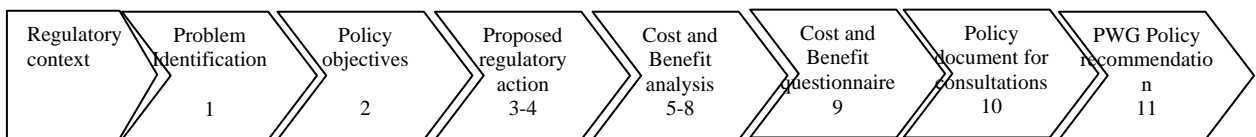
- SPI Secretariat will prepare a summary document based on the survey results and on the international experience for the PWG discussions. PWG should identify possible solutions that tackle bank-client and bank-bank relations with regard to the types of products and services, identify alternative methods and should formulate the protocol.

2. The project management group (PMG), with the support of SPI Albania Secretariat, will work:
 - a. To promote the implementation of the protocol through moral suasion. In this part BoAs’ support will be very important;
 - b. To build an information campaign on the inconveniencies of using cash and the benefits of using alternative payments. In this part media collaboration will be crucial.

IV- Methodology: from kick off to the accomplishment of the project

A. First PWG Meeting

Preparation of PWG 1st meeting (PM/DPM and SPI Secretariat)



The Project Owner will appoint PM and BoA will appoint the DPM. SPI Secretariat will draft the invitation letter.

SPI Secretariat will conduct a research in the international (European) experience on pricing the domestic payments and the strategies of pricing the products and services. Based on the collected information SPI Secretariat will prepare a draft note on the international experience.



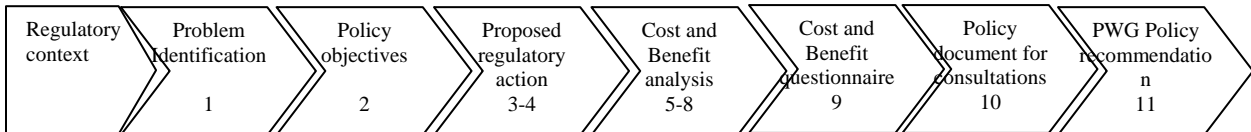
PMG and SPI Secretariat to prepare: a. a background note on current situation. b. a note on international experience.

Output: First Draft of “Scoping of Problem” for PWG discussion

After PMG clearance and before the 1st meeting, SPI Secretariat will send to PWG members the following documents:

1. The present draft TORs.
2. Draft “Scoping of Problem” document.

PWG 1st meeting

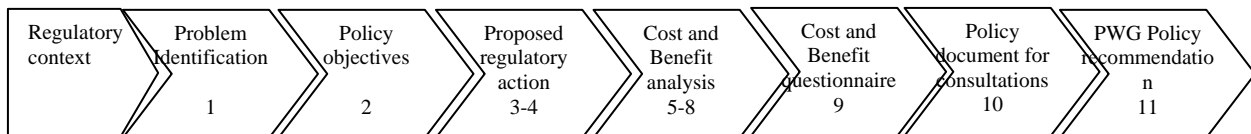


- Objectives:
- a. To understand the current context and the policy goals;
 - b. To formulate recommendations on policy options;
 - c. To analyze the impact for users, regulated firms and regulators

Output: Information to complete a document comprising the Scoping of the Problem and the Impact Assessment (Impact Assessment Analysis Document - IAAD) to be endorsed in PWG 2nd meeting. The IAAD covers steps 1-8 of the Better Regulation Template.

B. Second PWG Meeting

Preparation of PWG 2nd meeting (PM/DPM and SPI Secretariat)



PMG and SPI Secretariat to draft the questionnaire for data collection.

PWG 2nd meeting

Objective: To discuss and agree on the cost and benefit questionnaire.

Output: (a) Endorsement of IAAD (1-8) and (b) Final questionnaire



PM/DPM establishes **homework**:

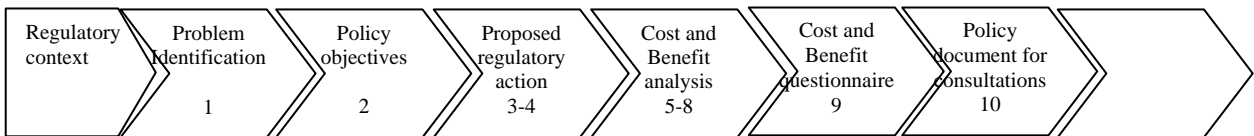
- SPI Secretariat: will prepare the minutes of the meeting; will integrate the individual contributions on the cost and benefit questionnaire.

C. Third PWG Meeting

Preparation of PWG 3rd meeting (PM/DPM and SPI Secretariat)

SPI Secretariat to: collect data from PWG participating banks analyzing; summarize questionnaire results and prepare draft “summary impact assessment” for PWG discussion and endorsement.

PMG and SPI Secretariat to draft policy option consultation paper



Objectives: (a) To endorse Impact Assessment Analysis Document including “Summary Impact Assessment”; b) To finalize policy option consultation paper.

Output: a) IAAD; b) final policy option consultation paper.

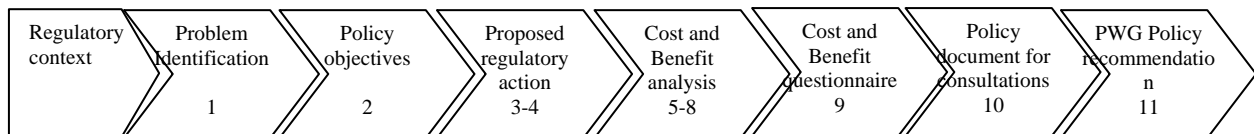
D. Fourth PWG Meeting

Preparation of PWG 4th meeting (PM/DPM and SPI Secretariat :

PM/DPM and SPI Secretariat to:

- Run consultations with stakeholders based on the policy option consultation paper;
- Draft feedback document;
- Prepare draft action plan for consensus building among the banks and for informing the public on the initiative.

PWG 4th meeting



Objective:



- a) To discuss the consultation feedback document and the policy document; and
- b) To agree on the policy recommendations regarding the main provisions of an inter banking protocol.
- c) To agree on the action plan for consensus building among the banks and for informing the public on the initiative.

Output: Policy recommendations, b) Draft protocol; c) Action plan for consensus building among the banks and for informing the public on the initiative.

Following PWG 4th meeting: Preparation of the SPI Committee paper.

After getting PWG agreement on the SPI Committee paper, SPI Secretariat will send the document for SPI Committee endorsement. The final document approved by the SPI Committee will be forwarded to the AAB and BoA for agreement and support. PMG and SPI Secretariat will follow with the implementation of the action plan asking for the involvement of all parties.

VI - Project Team

The team is composed of:

- Banks
- Bank of Albania
- Other public and private institutions.

VII – Tentative PWG meeting schedule

- First meeting July 2008
- Second meeting September 2008
- Third meeting October 2008
- Fourth meeting October 2008

VI - Consulted documents:

- Bank of Albania web address www.bankofalbania.org.



- Decree No. 285, dated 04.05.2007, “On the definition of the monthly referring wage, for calculating social and health securities and taxes on income provision”.
- Law No. 8560, dated 22.12.1999, “On Taxation Procedures in the Republic of Albania”.



The EU Better Regulation Approach	
Steps	Purpose
Scoping of problem	
1. Problem identification	To understand if a market/regulatory failure creates the case for regulatory intervention.
2. Definition of policy objectives	To identify the effects of the market /regulatory failure to the regulatory objectives.
3. Development of “do nothing option”	To identify and state the status quo.
4. Alternative policy options	To identify and state alternative policies (among them the “market solution”).
Analysis of impact	
5. Costs to users	To identify and state the costs borne by consumers
6. Benefits to users	To identify and state the benefits yielded by consumers
7. Costs to regulated firms and regulator	To identify and state the costs borne by regulator and regulated firms
8. Benefits to regulated firms and regulator	To identify and state the benefits yielded by regulator and regulated firms
9. Data Questionnaire	To collect market structure data to perform a quantitative cost and benefit analysis
Consultations	
10. Policy Document	To learn market participant opinions on various policy options
Conclusion	
11. Final Recommendations	Final report to decision-makers, based on Cost Benefit Analysis and market feedback

Source: CESR-CEBS-CEIOPS 3L3 Guidelines, adjusted by the Convergence Program based on experience.



*Document prepared by
Elona Bollano, SPI Director for Analytics and Policy*

Project: Reducing Cash Transactions

Scoping of the Problem

I. Problem identification

What is the problem?

-High level of cash in the economy

The economic and financial stability of the Albanian economy has had significant ramifications even in the payment system. Despite fast improvements during the last five years the payment system still remains in an infantile / basic stage.

The level of cash in circulation in economy either in terms of monetary aggregates or domestic output still continues to be high. Consequently the level of cash transactions remains high. The high level of cash outside the banking system facilitates the informal economy, decreases the efficiency of monetary policy and might pose threat the financial stability.

- High costs and risks of managing high volumes of cash for banking system

Cash is often viewed as an expensive means of payment and it is usually assumed that electronic payment instruments and electronic payments are more cost efficient than paper-based equivalents. In this sense the Albanian retail payment system is used in a less efficient way.

The costs incurred by the Central Bank are related to the production, distribution and the operational management of cash (security, transport, administrative and maintenance costs).

Cash is distributed to the general public mainly via the ATM system or over the counter at bank or Postal offices. Transactions over the counter comprise not only withdrawals but also deposits of cash by the public. These transactions give rise to mainly fixed costs in terms of office space, personnel and security. ATM terminals are also associated with high fixed costs, but there are also variable costs that arise for replenishing of cash of the terminals and bilateral bank interchange fees. The latter, however, are pure transfers between banks and do not represent a real use of resources even though they generate to privates costs and revenues for individual banks.

- *Consequently, higher costs for the consumers.*

Albanian consumers do not pay directly costs when perform cash transaction as in general they do not pay any fees for the withdrawal of cash. The only explicit cost that consumers have in the use of cash is the fixed annual fee that they pay for the card that they use for ATM withdrawals. However, consumers also incur implicit costs related to cash payments although they are not aware of (the cost of holding liquidity and the cost of time at the cash register).

Why is the (self)-regulatory intervention necessary?

Various governmental institutions in the country have undertaken initiatives to curb the high level of cash in the economy. The scope of these institutions' interventions by (as to be expected) has been related to their mandate or legislative tasks i.e. Albanian government's main objective has been to reduce informal economy, one of Bank of Albania's objectives is to promote the normal function of the payment system.

Bank of Albania has been one of the first institutions to deal with the phenomenon of high level of the cash in circulation as one of its fundamental tasks defined by the law "On the Bank of Albania" is to promote and sustain the payment system. In addition high level of cash decreases the efficiency of monetary policy. In carrying out its tasks, Bank of Albania has played an intermediary role in the clearing and settlement of interbank payments.

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.

In addition, during the last two years the Albanian government has undertaken several legal and administrative initiatives to reduce cash transactions in economy with final objective to combat the informal economy.

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

- On 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.
- On May 2007 the Council of Ministers issued a decree 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.

Alternative to cash payments, such as payments through cards, also bear cost for the parties involved, but in general the efficiency in terms of time, speed and cost is higher.

In this landscape the banking community, through its own resources can compliment the actions undertaken until now and identify alternative routes that will lead to lower cash transactions, lower costs and higher efficiency.

II. Definition of policy objectives

General objectives:

To reduce the use of cash transactions in the economy, and:

- improve financial intermediation;
- promote greater efficiency in the financial sector.

Operational objectives:

- To identify actions and measures that will lead in the reduction of cash transactions and in the increase of alternative transactions
- To build public awareness on the benefits of using non-cash payment means.

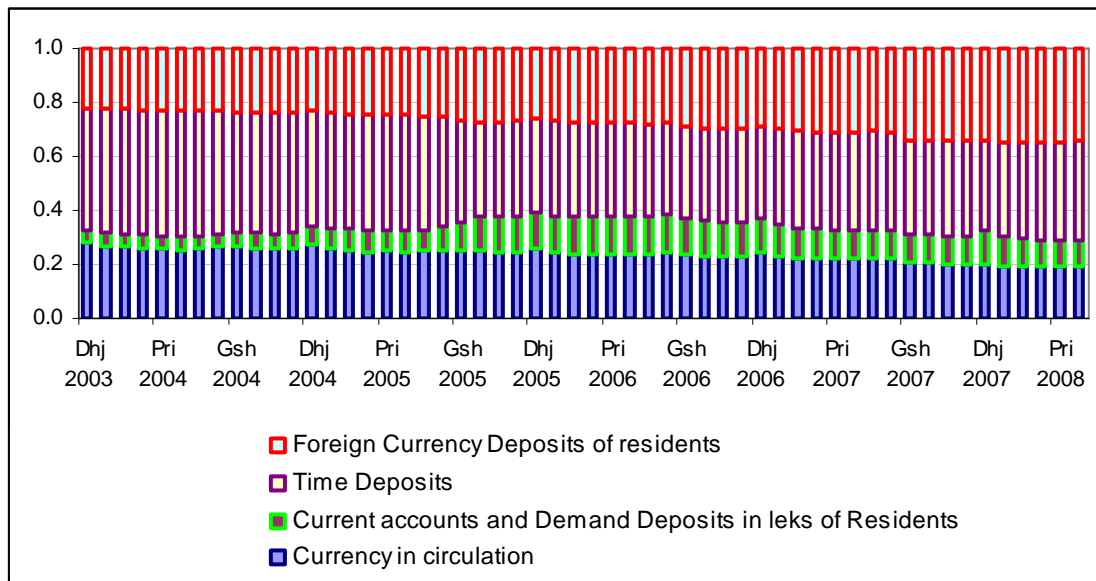
Specific objectives:

- To reach common understanding in the banking community to sign and implement the Protocol.
- To prepare an action plan for public awareness building

III. Development of the “do nothing”

Is seen from the following chart the currency in circulation makes up to 20% of the M3 aggregate, almost 3 times higher than the weight that this component has in EU member states (aggregate level).

Chart 1. M3 decomposition



Source: Bank of Albania.

During 2007 the AIPS system processes 45,480 transactions with a value of 3,744 mld lek that is 11% higher compared to the level of activity a year earlier. While in the AECH system during 2007 were processed 71,857 transactions with a value of 11.99 mld lek, nearly 56% higher compared to the activity during 2006.

In average daily are processed with:

AIPS - 183 transactions, with a total daily value of 15.1 mld lek,

AECH - 290 transactions, with a total daily value of 48 mil lek.

Chart 2. Types of transactions and the relative weights, 2007.

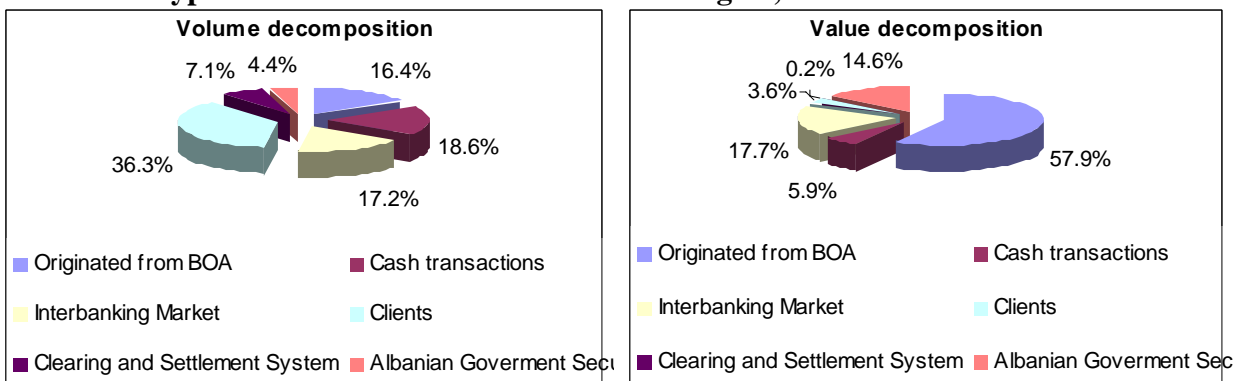
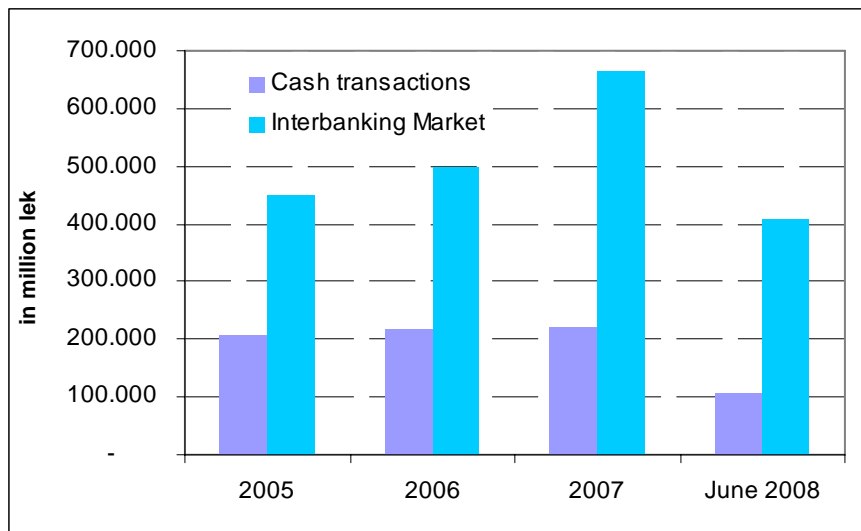


Chart 3. The evolution of cash and interbanking transactions 2005 –June 2008.



Source: Bank of Albania

As result the level of involvement of the banking system in the payment system of the economy has increased and the level of currency outside the banking system is gradually falling but still is far from the international / European standards.

IV. Alternative Policy options

The alternative policy option (to the status quo) to further reduce the volumes of cash transactions within the banking system is the establishment of a common policy among banks that will target:

- a. the reduction of cash transaction by creating disincentives for cash use; combined with
- b. the increase of non-cash transactions by creating incentives for the costumers to use alternatives to cash.”



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 Manager (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

Ms. Elona Bollano, Director of Analytics and Policy, elona.bollano@spi-albania.eu

Address: Twin Tower I, Kati 6, Apt. A3. Tirana, Albania. Tel. +355 42 280 359; Fax. + 355 42 280 371

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.