

Ardian Fullani: Developments in the Albanian financial system

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the meeting with actors from foreign exchange bureaus, Tirana, 6 February 2009.

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Honourable Managers of Foreign Exchange Bureaus,
Honourable Cambists,

The country's vigorous economic and financial development has promoted the development of the financial system. We have all witnessed its constant growth in a number of institutions, products and quality of services, as well as its geographic expansion. Financial intermediation has been increasing, enabling ever more effective transfer of unused funds for financing the economy needs.

From this viewpoint, the segment you represent has also played its important role. For many years on end, we have tried to transfer the foreign exchange business from informal to formal channels. This process has had its own ups and downs. However, I feel well to state that recently very positive developments have taken place. Since 2000, the number of entities carrying out foreign exchange business is ten-folded. The Bank of Albania has granted 227 licences to foreign exchange bureaus, with a comprehensive territorial extension.

During the period of June 2007 – December 2008, 136 foreign exchange bureaus applied for and obtained a licence. Allow me to remind you of the moment when the Bank of Albania adopted a set of more liberal rules on the conduct of foreign exchange business, particularly in terms of minimum required capital.

Today's meeting is the first between the Bank of Albania and you, but it is a follow-up of meetings we have held with market stakeholders, with commercial banks' representatives and other groups of interest, who are interested in and can impact on the accomplishment of these objectives.

The Bank of Albania has constantly assessed the foreign exchange market as the most developed market in the country, which is a reflection not only of the force of free market initiative, but also of the existence of a more competitive environment in it. We appreciate that foreign exchange bureaus have played and are playing an irreplaceable role in its development and performance. Notwithstanding the increased international market share and the ever larger role the commercial banks are playing in generating liquidity and in setting the price in this market, the Bank of Albania constantly regards your role as necessary for further enhancement of efficiency in foreign exchange market operation.

Leaving out of focus, just for the moment, the structural factors of the Albanian economy, which make necessary the existence of foreign exchange market share even in the form of cash, the Bank of Albania regards this role in view of your positioning as important mediators between cash operations and operations carried out through the banking system. In this aspect, I could not help mentioning also the obligation you have in terms of more rigorous implementation of money laundering prevention law.

As you may already know, presently Albania applies the flexible exchange rate regime, which means that market forces are the ones that determine its level. Your behaviour has constantly helped reflecting in this price the demand and supply for this commodity, preventing the risk of price mismatch to overall market conditions and to the macroeconomic climate of the country. In this framework, I would also like to highlight your positive behaviour, related to positioning future flows of the supply and demand for foreign currency, particularly during critical periods of the market, which relate to the seasonal exchange rate behaviour, as a rational behaviour that helps reducing exchange rate volatility.

Given the above, the Bank of Albania is highly interested in getting informed with your opinions about market operation, positive or negative changes having occurred recently, relationships between foreign exchange bureaus and commercial banks within the framework of competition and mutual benefit.

The Bank of Albania expresses its willingness to provide trainings on various products that may be traded by the domestic foreign exchange market. As the first step in this regard, we plan to deal with forward operations, which will better serve the smoothing of seasonal effects of exchange rate behaviour and the hedging against undesirable foreign exchange movements.

Highlighting the general but very important nature of the above issues, we would also like to share opinions on current economic situation with you.

Psychological effects on foreign exchange rate performance are another extremely important factor. Taking into consideration the current world crisis, the Bank of Albania, appreciating your position in generating information from both, businesses and the broad public, would be interested in your opinions; Moreover, it would welcome your suggestions about any possible forms of generating these opinions periodically.

In conclusion, intending to leave more room for discussing and exchanging ideas, we welcome your opinions even about other issues, related to reporting to the Bank of Albania or implementation of money laundering prevention law.