

Gent Sejko: The future is now - how innovation is reshaping Albanian financial services in 2025 and beyond

Address by Mr Gent Sejko, Governor of the Bank of Albania, to the Business Forum "The future is now: how innovation is reshaping Albanian financial services in 2025 and beyond", Tirana, 20 March 2025.

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Dear participants,

I am pleased to be part of this forum discussing together the financial innovations in the Albanian market. This topic is both very current and important for the future of our country's economic development.

We are all experiencing the fundamental transformation in the way financial services are offered, consumed, and understood. Technological innovations are changing the financial landscape in Albania, promoting the expansion of services, encouraging financial inclusion, and offering new opportunities for businesses and consumers. Innovation is no longer a luxury or a distant possibility. It is an essential reality revolutionizing the way we consider banks, payments, loans, investments, and beyond.

Allow me to begin by highlighting that the payment ecosystem has experienced significant transformations over the past two decades on a global level. New technologies have transformed the products and services offered in the small-value payments market, while the ecosystem has expanded with new players who have evolved into key links in the payment value chain.

Albania is part of this reality. Digital transformation has brought new opportunities for increasing the efficiency of financial services and expanding the financial inclusion of citizens. The digital transformation of payments and banking is one of the most visible impacts of innovation on Albania's financial services. Our country is experiencing a growth in digital banking services, making financial services more convenient, secure, and accessible. Consumers, thanks to the increasing use of mobile technology, the internet, and the promotion of innovative products, are gaining access to financial services and are able to manage their finances, transfer money, and pay bills electronically.

The use of electronic payment instruments continues to grow at double-digit rates, thus helping in reducing cash use and enhancing formalisation of the economy. The number of digital payments per capita reached 23 in 2024, up from just 2 payments per capita in 2015. In addition, financial inclusion, measured as the percentage of the population that holds at least one financial account, has reached 78%, up from around 40% in 2015. The infrastructure for accepting digital payment instruments has also edged up at an accelerated pace. New instruments, such as payments through electronic wallets, are being used more widely, reaching even to citizens where banking access is less common.

The Bank of Albania has been at the forefront of the revolution that is reshaping the way we access and interact with financial services. On one hand, we have been advocates for technological advancements in the market, and on the other hand, we have ensured the necessary regulatory protection for consumers, financial stability, and supervision of financial institutions.

Albania was the first country in the region to transpose the European framework for payment services, known as PSD2." This regulatory package paved the way for new fintech players to offer payment products tailored to customer needs, with lower costs and ease of use. It also introduced a new concept, that of "Open banking," encouraging competition in the market. Additionally, we have ensured the provision of new payment infrastructures, such as the AIPS Euro system, which has made it possible to avoid long lines at bank counters for making euro payments between banks, and reduced the high commissions applied on transfers through correspondent banks. The operation of this system has generated significant savings, estimated at around EUR 100 million. The elimination of fees for payments up to ALL 20,000 in 2020, consumers and businesses saved around ALL 700 million.

Today, I would like to focus on two key moments we have been attentive on adopting the best standards to enhance the efficiency of financial services.

First, as you already know, on 21 November 2024, the European Payments Council approved the inclusion of Albania in the geographical scope of the Single Euro Payments Area (SEPA) payment schemes. This decision marks a concrete step for Albania towards integrating the country into the European market. The approval of the application evidenced the high level of legal compliance of our country with that of the European Union in the field of payments and financial supervision. The economic benefits from joining SEPA are expected to be reflected in the reduction of cross-border fees in euro, the expansion of trade relations with the EU, the increase in foreign investments in the Albania.

Fees on SEPA transactions are expected to be significantly lower than current ones. We assess that from the reduction of fees, conducting transactions through SEPA schemes will save economic agents around EUR 20 million in the first year. These benefits will be tangible once each financial institution applies and is individually accepted into the SEPA schemes. The Bank of Albania is leading the process of each institution's adherence, acting as a communication and information bridge, as well as monitoring the fulfilment of the relevant criteria. Albanian institutions are expected to start their applications to the EPC starting from April 2025. Commercial banks are fully committed to meeting the technical and legal requirements, and I have to say that some of these require significant financial investments. Nevertheless, we are positive that Albanian citizens and businesses will be able to carry out SEPA transactions starting in October.

Second, I am pleased to reiterate that "Open banking" is a reality, and we are also ranked among the first countries in the region in this regard. Already, in Albania, banks are no longer the sole controllers of customers' financial data. Thanks to initiatives undertaken by the Bank of Albania and following several consecutive legal and regulatory developments, the financial data of bank customers are shared with third parties.

Albanian customers can authorize third parties to transfer funds from their bank accounts to make payments and access various services. This entire process is carried out securely through standardized access interfaces. These innovations stem from the 2020 Payment Services Law (which transposed PSD2) and the subsequent sub-legal acts, which were drafted and implemented within the period 2021-2024.

So far, two electronic money institutions have been authorized to carry out payment initiation and account information services, while four others are still under review and evaluation. As you are aware, the first successful transactions have been recorded, namely payment initiation and account information services, between a bank and an electronic money institution. We expect these to increase in volume and extend to more entities.

Absolutely, the implementation of "Open banking" required close cooperation between financial institutions, both banks and non-banks, government agencies, and technology providers, for which I take this opportunity to express my gratitude. Banks and licensed Fintech entities have made significant investments, improved their IT systems, and obtained the necessary certifications to facilitate the secure exchange of data between parties. Also, allow me to thank the National Agency for the Information Society, which played an important role in testing and integrating these services according to the latest European security standards.

We are confident that 'Open banking' will reduce service costs, increase the speed of electronic payments, and improve the user experience in an advanced banking sector. Beyond what I've listed above, we have also contributed to the significant increase in competition, and we continue to align with the other priorities of the Bank of Albania, namely increasing financial inclusion and encouraging economic growth.

The sharing of financial data on a broader scale, compared to traditional banking, certainly brings benefits but also comes with potential risks. For this reason, the current legal and regulatory framework, alongside facilitating electronic payments, includes rules for consumer protection, security, and protection against fraud. In addition to the growing popularity of open banking, the Bank of Albania will continue to closely monitor and track developments in this area in European Union countries in real-time.

Concluding, allow me to close by quoting the theme of this forum: The future is now, and innovation is at the heart of transforming Albania's financial services. Our role as a regulator, policymaker, and industry leader is to ensure that these changes are embraced in a responsible and sustainable manner. As we move forward, it is crucial to create an environment that encourages progress while protecting the interests of all stakeholders, aiming to build a financial system that meets today's needs and lays the foundation for a more prosperous and inclusive future.