



SHOQATA E BANKAVE TË KOSOVËS  
KOSOVO BANKING ASSOCIATION

**IBAN**  
International Bank  
Account Number

**SWIFT**  
Society for Worldwide Interbank  
Financial Telecommunication

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# PERIODIC OVERVIEW OF FINANCIAL SECTOR IN KOSOVO

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## PREPARED BY:

PETRIT BALIJA,  
Executive Director

KRESHNIK KOSUMI,  
Policy and Statistics Officer  
Kosovo Banking Association

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SHQATA E BANKAVE TË KOSOVËS  
KOSOVO BANKING ASSOCIATION

Bajram Kelmendi no.15,

Pristina, 10 000,

Republic of Kosovo

Tel. +381 38 246 171

email: [contact@bankassoc-kos.com](mailto:contact@bankassoc-kos.com)

[www.bankassoc-kos.com](http://www.bankassoc-kos.com)

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# **PART I**

- What are SWIFT and IBAN?
- Kosovo's membership in SWIFT and IBAN
- Credit Registry in Kosovo

## WHAT ARE SWIFT AND IBAN?

The Society for Worldwide Interbank Financial Telecommunication, or otherwise known as SWIFT, is a worldwide network that enables sending and receiving of information on financial transactions through secure, standardized and reliable channels. SWIFT currently connects over 10,500 financial institutions in 215 different countries worldwide<sup>2</sup>. Most of the interbank information exchanged worldwide use the SWIFT network.



SWIFT was founded in 1973 in Brussels and has become a standardized financial communication organization. Except facilitating the transfer of funds, SWIFT also enables sending of orders that need to be cleared from the corresponding accounts that financial institutions have with each other. This is because in order to exchange banking transactions, every financial institution must have interbank relations with the other bank in order to enjoy these opportunities, the exchange of banking transactions. This exchange is made through the SWIFT network or via BIC (Business Identifier Codes) which are otherwise known as SWIFT codes. Every state has its own code through which it is identified in international transactions.

SWIFT codes consist of 8 or 11 characters and are as follows:

- Bank code (first four characters are only letters)
- Country Code (next two characters are only letters)
- Location Code (next two other characters are letters and digits)

Examples of these codes in the world:

Currency	Bank	Location	SWIFT Code
USD	Deutsche Bank Trust Company Americas	New York	BKTRUS33
GBP	Deutsche Bank AG	London	DEUTGB2L
EUR	Deutsche Bank AG	Frankfurt	DEUTDEFF

Tab. 1 | Source: <http://www.deutschebank.co.in/swift-transfer.html> (August 20th, 2014)

<sup>2</sup> [www.swift.com](http://www.swift.com) (August 20th, 2014)

Examples of codes in Kosovo:

Currency	Bank	Location	SWIFT Code
EUR	NLB Prishtina	Prishtina	NLPRXKPR
EUR	Banka për Biznes	Prishtina	BPBXXKPR
EUR	ProCredit Bank	Prishtina	MBKOKKPR

Tab. 2 | Source: Kosovo Banking Association

Unlike SWIFT, the International Bank Account Number or as otherwise known by the name IBAN, is a unique way of identifying the bank account in order to improve the effectiveness and efficiency of international payments. IBAN (International Bank Account Number) is an internationally standardized format of the bank account number, which is used in many countries, mainly in Europe.

IBAN came to existence as a European economic integration initiative in the payments area, which means that the primary purpose of the use of IBAN is to reduce the risk of transcription errors in the bank account numbers. The use of IBAN format for bank accounts complements the SWIFT's system functionality associated with international payments of citizens.

IBAN consists of up to 34 characters, which are comprised as follows:

- Country Code (2 characters)
- Check Digits (2 characters)
- Basic Bank Account Number (up to 30 characters)

Examples of bank account numbers formatted according to IBAN standards:

Country	IBAN formatting example
Greece	GR16 0110 1250 0000 0001 2300 695
United Kingdom	GB29 NWBK 6016 1331 9268 19
Saudi Arabia	SA03 8000 0000 6080 1016 7519
Switzerland	CH93 0076 2011 6238 5295 7

Tab. 3 | Source: [http://en.wikipedia.org/wiki/International\\_Bank\\_Account\\_Number](http://en.wikipedia.org/wiki/International_Bank_Account_Number) (August 20th, 2014)

# KOSOVO'S MEMBERSHIP IN SWIFT AND IBAN

Kosovo's Membership in the SWIFT and IBAN network has marked one of the greatest achievements of the banking system in Kosovo, thanks to the joint efforts of the Central Bank of Kosovo (CBK), commercial banks and the Kosovo Banking Association which have cooperated closely in this regard.

## SWIFT

*Membership in this international institution has been very challenging for the new banking system in Kosovo. Today, Kosovo is part of the international payments network and exchange of information and international transactions are made using the network of these international institutions, as do the majority of other countries in the world.*

Kosovo became part of SWIFT in late 2013 and began applying its state code in December 2013. After receiving Kosovo's state code within SWIFT, the Kosovo Banking Association, through the Committee of Payments as well as the SWIFT Committee established within the CBK, have contributed greatly to achieve this goal, namely the registration of the Kosovo bank accounts in the IBAN format. It is worth mentioning that this is a great example of cooperation between the Kosovo Banking Association, with the Central Bank of Kosovo and its representatives, in which case the joint work has resulted in registering of the Kosovo bank accounts in the IBAN format.

## IBAN

*Registration of bank accounts in the IBAN format facilitates incoming and outgoing international transfers; hence, the international identification of the Kosovo bank accounts is done through IBAN. After the acquisition of the IBAN number, the payment/transfer initiation bank is able to identify the country (of the account), the receiving bank and the exact bank account.*

Therefore, the registration of accounts according to IBAN provides more accuracy in processing of payments and greater security for bank customers in Kosovo, reducing the risk of an erroneous transcription of bank account numbers.

IBAN format will be optionally used in international payments and will not be reflected in domestic payments. The effective date of the IBAN format of bank accounts in Kosovo will be February 1st, 2015.

# THE CREDIT REGISTRY OF KOSOVO

The Credit Registry of Kosovo (CRK) operates with the intention of evaluating banking clients, but also for statistical purposes. CRK is a public register managed by Central Bank of the Republic of Kosovo. CRK serves as credit information for lending institutions in Kosovo. CRK is designed as a web-based application and is accessible online and in real time by financial institutions and other registered parties.

*The lending institutions enter and update data to the CRK about their issued loans and at the same time they obtain summarized reports about the level and status of loans concerning their individual clients. The CRK is also designed to allow interested individuals and entities to obtain their own credit details. It is important to emphasize that lending institutions cannot access the personal credit history data of their clients without their consent.*

CRK was launched in 2006 and is functioning based on the Regulation for Credit Registry, which was approved in February 12th, 2012 by CBK. Currently a total of 37 institutions are members in CRK, specifically nine (9) commercial banks, fourteen (14) microfinance institutions, four (4) non-banking finance institutions and ten (10) insurance companies.

CRK enables the collection and distribution of credit information between the lending institutions with the intention of improving the loan quality. The register generates the credit report, which is an important document representing information on the loans taken by citizens and businesses of the Republic of Kosovo. This information is used by the lending institutions in the process of evaluating the client's loan application.

The Credit Report contains structured personal information and information on any loan where the client is a guarantor or has any other related role. For all data within the credit report the lending institution that has reported the loan is identified.

The main features of CRK are:

- It contains current information on the loan status and level of retail and individual businesses;
- Lending institution's reporting is mandatory;
- Information sharing takes place among all lending institutions;
- It is designed as a secure web application with 24 hours online availability for the certified staff of lending institutions<sup>2</sup>;

Every citizen of the Republic of Kosovo can have access to the register. Citizens can obtain information from the register through two different ways, through the client's bank and through real time internet web-based access at [www.raportikreditor.org](http://www.raportikreditor.org).

Data of citizens' registration in the registry are presented in the figure no.1.

<sup>2</sup> <http://www.bqk-kos.org/?cid=1,55>



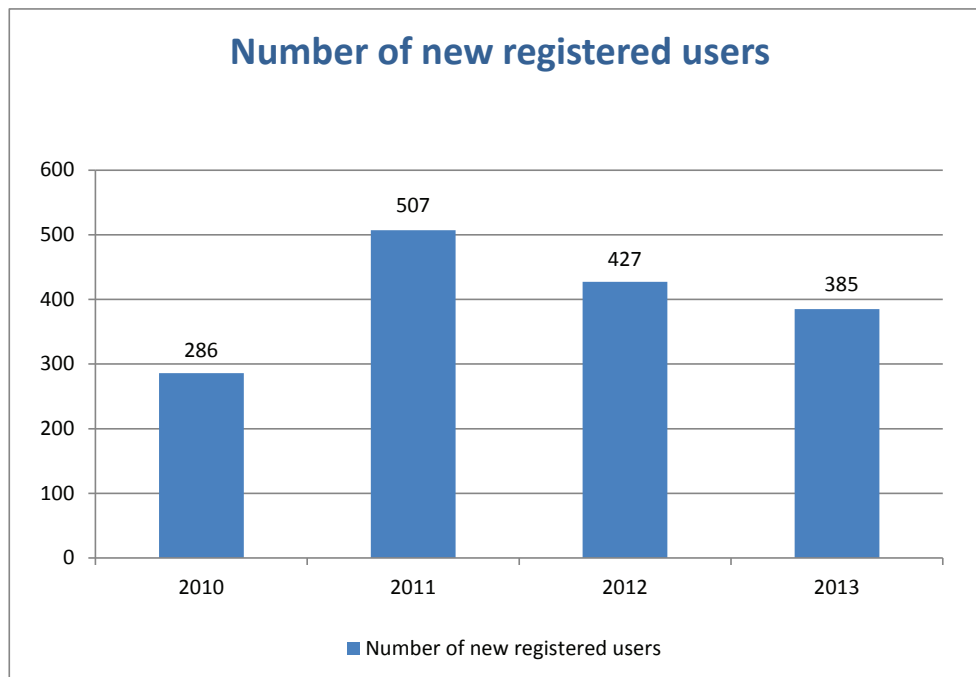


Fig. 1 | Source: CBK – Annual Report 2013

From these data it is obvious that the number of new registrations is more or less similar throughout the years.

Figure no.2 depicts the number of searches in this registry from 2010 to 2013. There is a slight decrease of the number of searches in this registry, especially during 2012 and 2013.

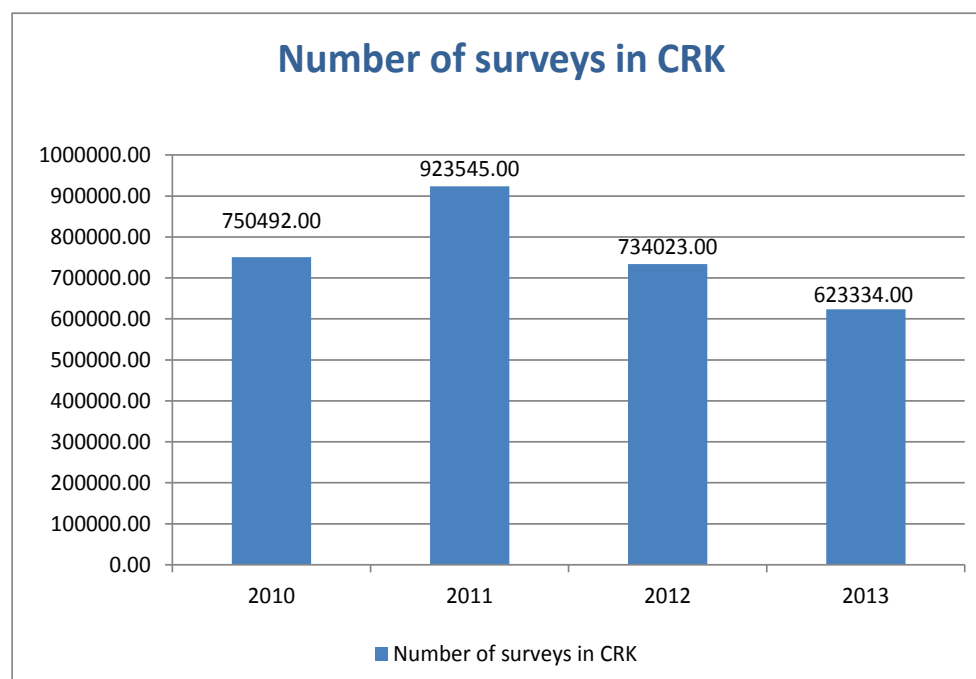


Fig. 2 | Source: CBK – Annual Report 2013

This decrease may have resulted due to the new regulation enforced by the Central Bank of Kosovo in 2012 (Regulation for Credit Registry) which obliges all lending institutions to obtain client consent in advance in order to access the client's personal data. Another reason can be the decline of demand for loans which is reflected also in the overall loan statistics.

Figure no. 3 indicates the number of new loans registered by lending institutions at CRK system through the years 2010-2013.

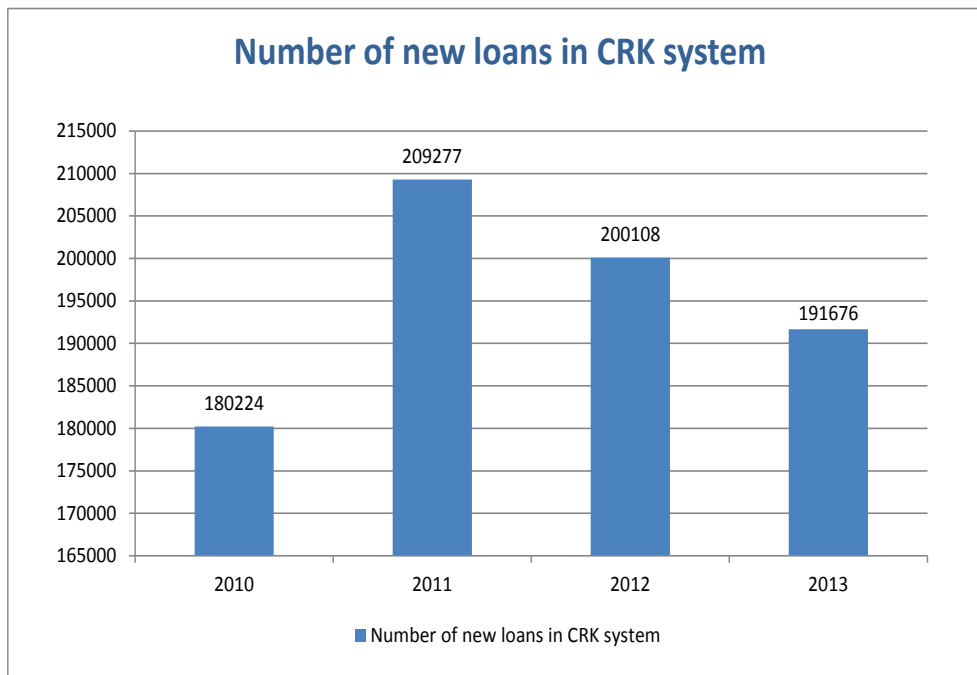


Fig. 3 | Source: CBK - Annual Report 2013

The data presented indicates that the largest number of new loans registered was marked in 2011 with 209,777 in total, while in the following years the numbers have dropped, where in 2013 a total of 191,676 loans were registered.

In conclusion it can be stated that the Credit Registry of Kosovo represents the main source of information for all stakeholders of the financial industry where all issued loans from the respective institutions are registered and documented. Credit Registry is a source of information not only for lending institutions, but is also open to all Kosovo's citizens and businesses and is an essential tool for the development of the financial sector.

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## **PART II**

- HIGHLIGHTED AUGUST NEWS FROM THE BANKING INDUSTRY

## HIGHLIGHTED AUGUST NEWS FROM THE BANKING INDUSTRY

### FROM FEBRUARY 1ST, KOSOVO'S BANKS WILL HAVE IBAN

From February 1st, next year, bank accounts in Kosovo will have the international IBAN format or the International Bank Account Number.

This format will help mitigate the risk of transcription errors in bank account numbers, and will facilitate the inflow of international payments in Kosovo.

On February 1st, next year, the bank accounts in banks of Kosovo will also have the IBAN format or the International Bank Account Number.

A press release of the Central Bank of Kosovo reads that the primary purpose of using IBAN format is to reduce the risk of transcription errors in bank account numbers, as well as to facilitate international payment inflows in Kosovo, enabling foreign banks to have a clear identification of the beneficiary bank account in Kosovo and verification of the accuracy of this account.

Although no figures are given on the number of errors made during transactions so far, officials of the Kosovo Banking Association claim that there have been errors from clients and banks, and each party has taken its responsibility, but according to them, this format will eliminate possible errors and will increase the security of transfers.

"IBAN first identifies the state where the transfer is directed, then identifies the banking institution where the transfer is addressed, and finally the individual subject to transfer. Bank transfers have been safe until now, but the possibility for error was much larger and a lot of attention had to be applied, and in cases when an error occurred it was often incorrigible in international transfers. We cannot say that we have not had a safe system, but this only adds security, and eliminates human errors that can occur during the transfer of payments," says Petrit Baliija from the Kosovo Banking Association to RTK.

According to Ibrahim Rexhepi, this format is a step forward for the national banking system towards international integration. "After the acceptance of SWIFT Code it was understandable that the next step will be IBAN or conditionally the establishment of international accounts for each account holder in Kosovo's commercial banks. This will facilitate the work and at the same time is step forward for the integration of banking system in Kosovo towards the European system or general international system", said Ibrahim Rexhepi, expert on economic issues.

Leaders of Kosovo Banking Association evaluate that this format will help national security structures, since this will enable the supervision of each income and outcome transaction. According to them the client is not obliged to pay for the format, if the bank applies the code. (RTKlive, August 8th, 2014).

## 180 MILLION EURO ON HOUSEHOLD LOANS FOR SIX MONTHS

The economic crisis in the country is increasing greatly. Households are facing huge shortage of cash, while they are forced to take loans to cover essential costs.

Official data shows a continuous increase in demand for loans, while household loans are rising significantly compared to last year. Over 144 million Euros has increased the amount of loans issued this year compared with the same period of last year.

According to the Kosovo Banking Association (KBA) for the first six months of this year, about 512.20 million new loans were issued, while for the same period of last year 367.4 million Euros were issued. Household loans have marked a large increase. Only, during the period January to June 2014 approximately 28.3 million more new loans were issued compared to the same period in 2013, an increase of 18.7 percent.

Petrit Balijs, KBA's director, said that if we compare the new loans issued for two periods, then we can see that households during January-June 2014 had approximately 28.3 million Euros more new loans issued than the same period for 2013. On the other hand, experts on economic environment in the country have estimated that since wages in the country are very low, then households must obtain consumption loans. (*Zëri, August 26th, 2014*)

## EBRD MILLIONS "DISSOLVED"

Although there are more than two years since our country became a member country of the European Bank for Reconstruction and Development (EBRD), based on allegations of business representatives and experts in the field of banking and finance, Republic of Kosovo has not seen many benefits from this international bank regarding investments that were expected.

Executive Director of the Kosovo Banking Association, Petrit Balijs, said that Kosovo has become a member of the European Bank for Reconstruction and Development in late 2012. "Membership in this multilateral development bank is very important for Kosovo's economy, because that enables EBRD to inject funds into the Kosovo economy by investing directly into businesses in Kosovo, but also in lending by commercial banks in Kosovo" he said. According to him, a successful example of EBRD lending agreement is reached with the bank TEB in 2013. "This agreement is made for a loan through which EBRD has provided a total of 5 million Euros for TEB, for lending to businesses and individuals for investment in energy efficiency projects", he said.

The President of the Association said that TEB has managed to disburse the loan into Kosovo market almost completely within one year. "From this loan both households and businesses have benefited, through financing for energy efficiency projects and renewable energy", he said. Balijs also mentioned the case of purchasing 10 percent of the shares of Bank for Business in 2011. "This investment has been very useful to BPB, the banking sector as whole, but also for the country's economy, as it indicates a high reliability of the EBRD in Kosovo's banks which is a very positive signal to foreign investors", he said. (*Kosova Sot, August 26th, 2014*)

## KOSOVO REMITTANCES HIGHER THAN IN ALBANIA

During 2013, the Kosovar immigrants have sent 621 million Euros to their home country, while Albanian nationals only 497 million Euros.

Meanwhile, Germany is the state from which immigrants have sent the major part of remittances to Kosovo. During 2008-2013 from this country on average 210 million Euros were sent from Kosovar immigrants.

This figure comes as a result of the high number of Kosovar immigrants in Germany. In the second place is kosovar diaspora in Switzerland, with 147.4 million Euros. (*Telegrafi, Tribuna, Kosova Sot, August 1st, 2014*)

## MONEY EXCHANGE IN THE STREETS HAS NOT STOPPED

Nearby exchange offices there are plenty exchangers that offer their services on the streets. Petrit Balija, director of the Kosovo Banking Association, says that the exchange points are not part of the banking industry and Kosovo Banking Association cannot speak on their behalf.

“However, I can say that commercial banks in Kosovo offer exchange of main international currencies including the Euro, U.S. dollar, Swiss franc and British pound. The exchange of these currencies is made on supply and demand basis and is a well supervised service in the banking industry.

However, it is important to have a regulatory basis and a good supervision of these exchangers outside the banking industry in order to prevent the occurrence of problems in the financial sector”, said Balija. While the media officer of the Central Bank of Kosovo, Besnik Kada, said there are a total of 35 foreign exchange offices which are approved by CBK to conduct foreign exchange activities. (*Kosova Sot, August 5th, 2014*)

## THE FUNCTIONALITY OF THE CREDIT GUARANTEE FUND IS EXPECTED

The functionality of Credit Guarantee Fund is expected very soon, a fund that is financed by the Government and international donors, government officials stated. This fund aims to facilitate the access to loans for businesses that do not have sufficient collateral for borrowings.

Valdrin Lluka, general director of the Kosovo Investment and Enterprise Support Agency (KIESA), which functions within the Ministry of Trade and Industry, stated for Radio Evropa e Lire that one of the main challenges of businesses in Kosovo remains the access to finance and this fund will ease their burden.

Banks still have in ownership the loan selection process of the loan applications. But, in most cases, small and medium enterprises do not have sufficient pledge to provide banks to get a loan of that amount. And, as a result, we step in to help those companies that do not have enough mortgages. The fund will cover 50 to 75 percent of the pledge”, explains Lluka. (*Radio Evropa e Lire, Telegrafi, August 15th, 2014*)

## THE RUSSIANS ENTER THE CBK

Newspaper “Zëri” has obtained documents which show that the Russian company “CMA Small System” through its close relation to the senior official of the CBK, is being favored in the tender for handling RTGS system, which deals with confidential data, where not everyone can have access.

Any transfer, deposit and financial information of Central Bank of Kosovo (CBK) are likely to fall in the hands of the Russian company “CMA Small System”. (*Zëri, August 20th, 2014*)

## EXPLANATION BY CBK IN REGARDS TO THE ARTICLE TITLED “THE RUSSIANS ENTER THE CBK”

In the yesterday’s daily newspaper “Zëri” on its front page, an article was published regarding the process of selecting the company that will be contracted in the development and support of the automatic transfer system.

Although the article in general is about the tendering process, we consider that the title of the article and the paragraphs in the text that refer to personal relations, which could have an impact on the selection process appear to be biased and can cause confusion to the public. The purpose of this explanation is not polemical for the article in question, but to provide relevant facts and ensure transparency in the evaluation process of this tender. As pointed out by the deputy-governor Fatmir Gashi, in his statement in the article in question, we reiterate once again that the public tender was open to all interested companies, both local and international.

The fact that the company “CMA” has previously won a tender in CBK, does not mean at all that this company is being favored in the current tender. Contrariwise, the evaluation process is moving forward and currently none of the companies are favored to win the tender. (*Zëri, August 22nd, 2014*)



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