

# THE KOSOVO BANKER

2023



## Sustainable Development and Banking Innovation

Building a Better Future for Kosovo  
Through Financial Progress

PUBLICATION OF KOSOVO BANKING ASSOCIATION



Kosovo Banking  
Association

# BËHU HERO

## NAJE SUKSESIN



# THE KOSOVO BANKER

## 2023

### Member Banks



**Kosovo Banking Association (KBA)** supports the development of the banking sector and is the representative voice of the banking industry in the Republic of Kosovo. We support member banks to achieve their objectives by providing a platform for advocacy, capacity building and public relations. The banking sector is key to the economic development and prosperity of Kosovo and we help advance this cause. Our main objectives are to create optimal conditions for an innovative, stable, safe and comprehensive banking sector in Kosovo.

**Disclaimer:** The views expressed in the articles are those of the authors and do not necessarily reflect the positions or policies of the Kosovo Banking Association. KBA is not responsible for the content of the authors' articles and the authenticity of the authorship of the articles published in "The Kosovo Banker" magazine.



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# EDITORIAL



**PETRIT BALIJA**  
CHIEF EXECUTIVE OFFICER  
KOSOVO BANKING ASSOCIATION

**‘The Kosovo Banker’ 2023 magazine arrives at a time when almost everything is digitalized, a blend of classic and modern. It has an online version accessible to all audiences, yet printed copies of the magazine in a limited number are also prepared to restore the pleasure of holding a magazine in your hands while reading quality content.**

**T**he Kosovo Banker’ contains educative and informative, professional, and deeply researched articles. The magazine’s content is enriched with interviews from experts and professionals in various fields. Our aim has been to bring an inclusive magazine suitable for everyone. Each chapter of the magazine addresses different contemporary topics, including advice on financial sustainability, money management, data protection, and adaptation in the digital financial world. The magazine opens its first chapter “The future of finance and sustainable banking” to offer a detailed overview of climate challenges and those caused

by carbon footprint, expectations for the future and what we as individuals and organizations can do to protect the environment. Our well-being is closely linked to the environment that surrounds us. Industrial development, the use of non-renewable energy, harmful substances and various toxins have caused considerable environmental damage; therefore, we must act to prevent further damage, ensuring that we leave behind a livable environment for future generations. For institutions, organizations and businesses, this implies serious commitment in applying sustainable environmental practices while simultaneously creating a legal and regulatory base that contributes

to these practices. The Kosovo Banking Association (KBA) has started its sustainable journey by taking concrete steps such as signing a cooperative agreement with the International Finance Corporation (IFC), part of the World Bank Group, to promote Sustainable Financing and Environmental, Social and Governance (ESG) standards in the banking sector in the Republic of Kosovo. As part of this agreement, we as two organizations held the Sustainable Financing Forum in Pristina on October 5th, co-organized by the Central Bank of the Republic of Kosovo (CBK).

The second chapter addresses the topic “Digital transformation of the banking industry”. This chapter is adapted to bring you information about personal data protection during banking transactions, inform you about the reform that has been happening for some time in the banking sector and cashless purchases. The Kosovo Banking Association always stays up-to-date with the latest trends in the banking industry to support Kosovar citizens

to have an easier digital transition; therefore, we have organized a three-month campaign together with VISA company “Digital payment options for small businesses”. The target of this campaign were small and medium-sized businesses in Kosovo, which were informed about the benefits they and their customers have if they adopt digital payments.

Money management is not always easy. Different phases of life, dealing with challenges in personal life, debts and unexpected expenses are issues that affect us all. Although such challenges are inevitable, with advice from financial experts and simple practices like compiling a financial plan can make a big difference in our financial well-being. Therefore, I invite you to carefully read the third chapter of the magazine “Financial well-being: Planning and managing money”, to get valuable advice from experts in this field.

The fourth chapter of The Kosovo Banker is dedicated to “Cybersecurity in Banking”. Here, the best mechanisms for protection from cyber-attacks, the best defense strategies, and the overall importance of this field are discussed. The field of cybersecurity is dynamic, with threats and new technologies regularly emerging. Awareness is an ongoing process, so individuals and organizations must stay informed. “Stay



safe online, every click matters” is a campaign launched by KBA to raise awareness about cybersecurity during October. With important messages in the form of videos distributed on our social networks, we have reached a considerable audience. During this month, interviews were launched from members of the KBA Cybersecurity Committee to inform citizens about online risks and how to protect themselves. To concretize our commitment to increasing cybersecurity awareness by co-organizing activities with other relevant institutions, in cooperation with the Albanian Banks Association, we organized the Cybersecurity Forum. The magazine concludes with the fifth chapter that addresses the topic “Transparency and ethical behavior in banking operations”. Building trust with clients is a long road that commercial banks in Kosovo have achieved. In this chapter, professionals in the field address interesting topics related to financial integrity, ethics in banking

operations, and the inclusion of citizens in banking services. Each chapter of the magazine contains an exclusive interview from experts and professionals who address topics at a general level, emphasizing the most important information that all citizens should have regarding the most discussed topics of recent years.

The newest edition of the magazine has also been joined by Mr. Suat Bakkal, Chairman of the Board of Directors at the Kosovo Banking Association and Mr. Ahmet Ismaili, Governor of the Central Bank of the Republic of Kosovo.

I invite you to read ‘The Kosovo Banker’ magazine, which this year comes to the public with many innovations and undoubtedly valuable content. Enjoy your reading!

**The magazine concludes with the fifth chapter that addresses the topic “Transparency and ethical behavior in banking operations”. Building trust with clients is a long road that commercial banks in Kosovo have achieved. In this chapter, professionals in the field address interesting topics related to financial integrity, ethics in banking operations, and the inclusion of citizens in banking services.**

KARTË LOKALE

KARTË VIRTUALE



KOMPANIA QË MUNDËSON:  
SWITCH KOMBËTAR DHE NDËRKOMBËTAR

GJENERIM TË PIN ME MËNYRË  
ELEKTRONIKE

SISTEM I MENAXHIMIT  
TË KARTAVE



**AHMET ISMAILI**  
GOVERNOR OF THE CENTRAL BANK  
OF THE REPUBLIC OF KOSOVO

In this edition of 'The Kosovo Banker', we present an interview with Governor of the Central Bank of the Republic of Kosovo, Ahmet Ismaili. The discussion covers a broad spectrum of topics, extending beyond traditional monetary policy to include stability, financial education, economic growth, inflation, and cybersecurity. Mr. Ismaili also shared his strategies and priorities as the Governor for Kosovo's financial system.

“The objectives of the CBK, such as promoting and maintaining a stable financial system, as well as a safe and efficient payment system, in support of general economic policies based on an open market economy with free competition and through an efficient distribution of resources, serve as the cornerstone of my strategic priorities,” says Ismaili.

To achieve these priorities, he plans to work on upgrading the legal, regulatory, and supervisory infrastructure of financial institutions. He also aims to develop the financial market infrastructure in line with advanced international practices and digital transformation needs of financial services and the country's economy.

“We will collaborate closely with all local stakeholders, including the public and private sectors, as well as our international partners. We will prioritize

European Union initiatives for the region in terms of aligning legislation with Acquis and meeting criteria for membership in EU payment systems and schemes. Special attention will be given to upgrading the payment system for processing fast payments to enable swift and efficient transaction circulation 24/7 among individuals, businesses, and all economic stakeholders in the country.”

Governor Ismaili also emphasized addressing cyber risks arising from technological innovations and the increasing digitization of financial services. These present both new opportunities and risks for financial institutions and financial stability. “At CBK, we will focus more on issues related to financial education and strengthening citizen protection who use financial services in accordance with current legislation,” he concludes.

Interview

“Additionally, we will address new risks such as climate and environmental risks that could impact the safety and health of financial institutions and potentially have wider effects on financial stability. Our actions will aim to strengthen the regulatory framework in line with EU directives and Basel standards. We also aim to increase financial inclusion for all citizens by providing easily accessible services through new forms enabled by technology, efficiently and affordably, with a focus on full financial inclusion. We will always provide necessary information and clarifications through financial education activities undertaken in cooperation with other stakeholders,” says Ismaili.

“All these priorities will be incorporated within the framework of the 5-year Strategic Plan, which we aim to finalize this year. This will be accompanied by advancing CBK’s capacities and resources, as well as a substantive review based on best practices and standards for CBK’s internal organization.”

We further discussed the strategies employed by the Central Bank of the Republic of Kosovo for managing inflation and promoting economic growth.

Governor Ismaili explained that according to the Law of the CBK, an additional objective of the main financial institution in the Republic of Kosovo is to contribute to achieving and maintaining domestic price stability. “However, without our ability to issue currency, our capacity to manage monetary policy as the primary tool for achieving this goal is limited. The Central Bank of the Republic of Kosovo can exert influence in this area by setting the Minimum Reserve that banks are required to maintain with the CBK,” says Ismaili.

**“I believe that as traditional services continue to transform into digital ones, the significance of financial education becomes even more crucial. Therefore, we will focus on modifying our materials and their delivery methods to ensure they are easily accessible to the public. This will involve utilizing social platforms and networks, and expanding the range of CBK publications across all sectors.”**

“A decline or slowdown in financial intermediation in the country could lead to potential contraction of consumption and investment, affecting internal pressures on general price levels as a slowdown in consumption would translate into lower inflationary pressures. Such developments are closely monitored and harmonized as much as possible with the country’s fiscal or economic policy.”

Mr. Ismaili emphasized that to maintain financial stability, CBK has built capacities for monitoring, analyzing, and addressing dynamics within systemic risk: “For this purpose, macro-prudential policy, through defined objectives and calibrated instruments, aims to address risks, formulate policies, and communicate them to financial institutions. Within the macro-prudential function, calibrated instruments can signal risks, with

impacts on capital or liquidity levels, potentially affecting both financial intermediation and support for the economy.”

Another important issue gaining attention worldwide is environmental sustainability. The Governor elaborated on the steps they have taken as an institution in this direction.

“Alongside the national strategy towards adapting to and avoiding climate change, such as the adoption

of the Energy Strategy 2022-2031 by the Assembly of the Republic of Kosovo, other legal and strategic acts by the Government of the Republic of Kosovo for laws on climate change are aligned with the roadmap for Kosovo’s integration into the European Union in the context of Sofia’s Declaration and Green Agenda for Western Balkan countries. Based on practices from developed countries mainly but also from regional countries, CBK has es-

tablished a Working Group to address climate and environmental risks. This process is carried out in partnership with FinSAC (Financial Sector Advisory Center), part of World Bank. This group will draft a strategy related to climate and environmental risks with FinSAC’s support which will serve CBK as a roadmap to address these risks in coming years from a regulatory, supervisory, and financial stability perspective,” Ismaili concludes.

As a first tangible step towards commitment to financial sustainability, Mr. Ismaili highlights the CBK's collaboration with the International Finance Corporation (IFC) and the Kosovo Banking Association, where a Forum on Sustainable Financing was organized, attended by international and local experts in this field. The forum provided a detailed discussion on international and regional countries' initiatives and developments in this field.

"To support our vision in this area, CBK has applied for membership in the Network for Greening Financial System (NGFS), based in Paris. The NGFS comprises central banks and regulatory and supervisory authorities from over 80 countries. This membership provides an opportunity to adapt the best practices and standards developed and implemented by these participants."

Financial education is a priority for Governor Ismaili during his mandate. We delved deeper into his plans to advance all activities through increased engagement and cooperation with all relevant public and private institutions in the field of financial education.

Ismaili believes that financial education significantly impacts the financial inclusion of citizens. By expanding their knowledge of financial services, citizens will have the opportunity to make informed choices about the products and services they need.

He then shared with us that CBK's collaborations with primary and secondary schools, universities, and non-governmental organizations to enhance financial education at various age levels is one of the most crucial steps taken to equip students and the general public with the necessary knowledge and skills for personal



All these priorities will be incorporated within the framework of the

### STRATEGIC PLAN 5-YEAR

which we aim to finalize this year. This will be accompanied by advancing CBK's capacities and resources, as well as a substantive review based on best practices and standards for CBK's internal organization."

finance management and a better understanding of economic aspects.

"Inclusion of individuals with special abilities and needs is a goal for us at CBK. In this regard, we have distributed books in Albanian, Serbian, Turkish, Roma, Bosnian languages, as well as in the "Braille" alphabet for visually impaired students."

Mr. Ismaili provided information about the Financial Education Program developed by CBK. This program enables the institution to conduct regular educational and informative activities in collaboration with other relevant institutions. It also organizes traditional activities within the realm of financial education, including International Money Week, Young Economists Award, etc.

"The Central Bank of the Republic of Kosovo will collaborate with

the Ministry of Education, Science, Technology and Innovation to institutionalize the inclusion of a set of five financial education texts in the school curriculum. For this purpose, we will cooperate with the Bank of Albania for inter-state collaboration aimed at unifying texts for efficient and effective financial education. The research and scientific aspects will also be emphasized through joint organizations with researchers for public interest and policy orientation," says Ismaili.

With new technological developments and the evolution of financial services and products, as well as licensed institutions for their provision including various Fintechs, there is an increased need for transforming public access approaches and proper notification about these developments. CBK will contribute to this aspect by enhancing its website and all official formats for publishing its information including social networks. It will also organize various informative meetings and events such as forums and conferences addressing specific fields related to financial services.

"Another focus is on building a price comparison platform within CBK's website which will enable citizens to compare prices of products and services from financial institutions. This is a project we are working on for future implementation," says Ismaili.

The Governor informs us that CBK plans to conduct educational and informative activities throughout the year to commemorate all significant events: "Furthermore, other forms such as surveys to measure knowledge levels, preparation of educational materials for different age groups, lectures in schools and universities, and informing the public through the

publication of educational materials on social networks will be addressed."

"As I emphasized earlier, financial education and inclusive access will serve to achieve this goal so that consumers have comprehensive information

when deciding on financial products and services," says Ismaili.

Technology-driven innovation and opportunities that have emerged through smartphones and internet advancements for digitizing financial

services have influenced changes in customer behavior as well as how banking services are provided. New products and services or new ways of providing banking services through the use of new technologies present both opportunities and risks for CBK in its supervisory role in maintaining the integrity and stability of the financial system.

**"In recent years, particularly since the onset of the COVID-19 pandemic, there has been a noticeable shift from physical to digital services, leading to an uptick in risky activities associated with digital services. To address this, CBK will enhance its collaboration with banks and all other financial institutions, as well as with pertinent institutions of the Republic of Kosovo, to prepare necessary measures for safeguarding the system against cyber-attacks," states Governor Ismaili.**

Governor Ismaili indicates that with the aid of skilled international assistance, CBK's supervisory and regulatory capacities will be fortified. This will ensure that financial institutions meet the requisite security standards and requirements for safe service provision.

"I would like to reiterate that educating users of financial services about digital services and the precautions they should take when accessing these services is also a crucial factor in this direction. We will place special emphasis on preparing necessary and specific materials for public awareness in this field," he adds.





**SUAT BAKKAL**  
 CHIEF EXECUTIVE OFFICER  
 AT BKT BANK /  
 CHAIRMAN OF THE BOARD  
 OF DIRECTORS,  
 KOSOVO BANKING ASSOCIATION

To talk about the current state of the banking sector in Kosovo, what awaits in the future with more institutions drifting their focus to sustainability and with the continuous technological development, we interviewed Mr. Suat Bakkal, who is also the Chief Executive Officer of Banka Kombëtare Tregtare (BKT).

**M**r. tells us that over the past decade, Kosovo's economic growth has exceeded that of its immediate vicinity, followed by a significant degree of financial inclusivity, and that the banking sector in Kosovo continues to play a pivotal role in the country's economic development and financial stability.

"The sector is robust and continuously growing, all while remaining well-capitalized, liquid, and profitable. Banks in Kosovo operate in a well-regulated environment that aligns with international standards, ensuring prudent governance and risk management practices. This is the foundation of

our operations that ensures the highest standards of integrity".

Mr. Bakkal says that the sectors' ability to provide exceptional service is its core strength:

"We recognize the value of building strong, lasting relationships with our clients, understanding their financial needs, and delivering adequate solutions. We are resolute in our commitment to providing exceptional customer service, and we are avidly aware of Kosovo's growing economy. Our commitment to customer service is not merely a strategy, it is a culture of our institutions".

However, he also mentions it would be oblivious not to acknowledge the

challenges that we face, such as: the ever-evolving compliance landscape, unstable interest rate environment, global events, and the resulting uncertain economic environment. "Additionally, adapting to customer preferences in an increasingly digital world presents both an opportunity and a challenge for the banking sector of Kosovo", says Mr. Bakkal.

Further, Mr. Bakkal talked about the evolution of the banking sector in Kosovo, emphasizing that the banking landscape has undergone a remarkable transformation in recent years:

"Kosovo's banking sector has adapted to an evolving regulatory framework, ensuring compliance with international standards while maintaining a stable and well-regulated environment. Efforts to improve financial inclusion have been prominent. Banks have expanded their reach to underserved populations, offering simplified account options and access to banking products. Over the past few years, the banking sector has achieved consistent growth in performance and profitability indicators".

Some of the most impressive strides that the Kosovo's banking sector has made according to Bakkal are embracing digitalization, making substantial investments in modernizing their infrastructure and offering a wide range of convenient digital banking services, which has significantly expanded financial inclusion.

"The emergence of digital banking platforms has transformed the way we engage with our customers. This trend is set to continue, with a clear path towards more seamless and accessible banking experience. We foresee the emergence of cutting-edge technology, the implications of which will be profound", says Bakkal.



**"We recognize the value of building strong, lasting relationships with our clients, understanding their financial needs, and delivering adequate solutions."**



**We are resolute in our commitment to providing exceptional customer service, and we are avidly aware of Kosovo's growing economy."**



**Our commitment to customer service is not merely a strategy, it is a culture of our institutions".**

Sustainable finance and environmental considerations are gaining importance globally. Mr. Bakkal says that the global shift towards sustainable finance and environmental responsibility has not gone unnoticed in Kosovo's banking sector, adding that the sector's commitment to sustainable finance extends to supporting projects that promote environmental conservation and social well-being. "Kosovo banking industry will have a significant role in the green energy transformation of the country with financing in large scale projects. We will experience syndication loan facilities and green bonds in terms of creating enough capacity to this transformation", says Bakkal.

Further, he mentions that the sector understands the importance of aligning their operations with environmental and social considerations:

"We have been proactively integrating these principles into our lending practices. We foresee the integration of environmental, social, and governance criteria into our underwriting practices. This means assessing the environmental and social impact of the projects we finance and making informed decisions that align with sustainable development goals".

Next, we discussed cyber-security as an important topic for financial institutions. Mr. Bakkal says that cybersecurity is at the forefront of their priorities. "In response to increased risks, Banks have implemented comprehensive cyber-security measures on a global level. These include audits to identify vulnerabilities, encryption protocols to safeguard customer data, authentication systems to prevent unauthorized access, and continuous employee training to heighten awareness", says Bakkal.



Another crucial matter is customer data security. Mr. Bakkal tells us that the sector's dedication towards this subject goes beyond mere compliance with regulatory requirements.

"It is a concerted effort to ensure that online transactions conducted through our banking services are fortified against cyber threats. Cybersecurity is not just a technical challenge; it is a fundamental part of our commitment to customer protection and ethical banking practices. By implementing cybersecurity measures, we aim to provide our customers with

peace of mind, knowing that their financial information is secure, and their transactions are conducted in a safe and protected environment".

Moreover, Bakkal informed us that ensuring equal access to banking services for all segments of Kosovo's population is a central tenet of the sector's mission, as social and economic inequalities can create barriers to financial access. The banking sector is actively engaged in financial inclusion programs that span from offering simplified account options to

actively reaching out to underserved communities.

"We are actively working to bridge the financial divide by expanding access to banking. Moreover, the integration of technology into our operations promises to not only streamline our services but also enhance the overall customer experience. Our commitment to financial education initiatives empowers individuals with the knowledge and tools necessary to make informed financial decisions, irrespective of their socio-economic background".

**"Kosovo Banking industry is not only regionally but also globally one of the best performing sectors in terms of banking indicator ratios".**

Bakkal points out that the commitment to financial inclusion is not a standalone effort but a core part of their mission as responsible financial institutions. "We firmly believe that access to banking services is a fundamental

right, and we are dedicated to ensuring that every individual, regardless of their socio-economic background, has the opportunity to participate fully in the formal financial system", reiterates Bakkal.

Banking and economics have a significant positive correlation in terms of performance. Banking has a strong capacity whenever economy faced threats like we recently experienced during pandemic times. Bakkal highlights that their aim as financial institutions is to play a pivotal role in driving the growth and development of Kosovo's financial landscape and the broader economy.

"We are actively expanding our digital banking capabilities to offer a more comprehensive set of online services. This includes not only account management and fund transfers, but also a wide array of value-added services. We envision a future where customers



## INTERVIEW

can access financial advice, apply for loans, and make investments—all from the convenience of their digital devices. Our goal is to provide seamless banking experience that meets the evolving needs and expectations of our customers”.

Further, Bakkal talks about the vital role that small and medium-sized enterprises (SMEs) play in Kosovo’s economy, and their commitment to provide financial solutions to support SMEs growth.

“Additionally, we are proud to participate in initiatives that enhance financial literacy and education, ensuring

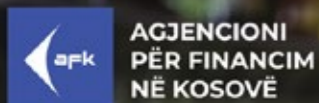


“We aim to be partners in Kosovo’s ongoing economic progress. We understand that our success is intricately linked to the success of our customers and the broader community. By supporting economic growth, job creation, and financial literacy, we believe that we can make a positive

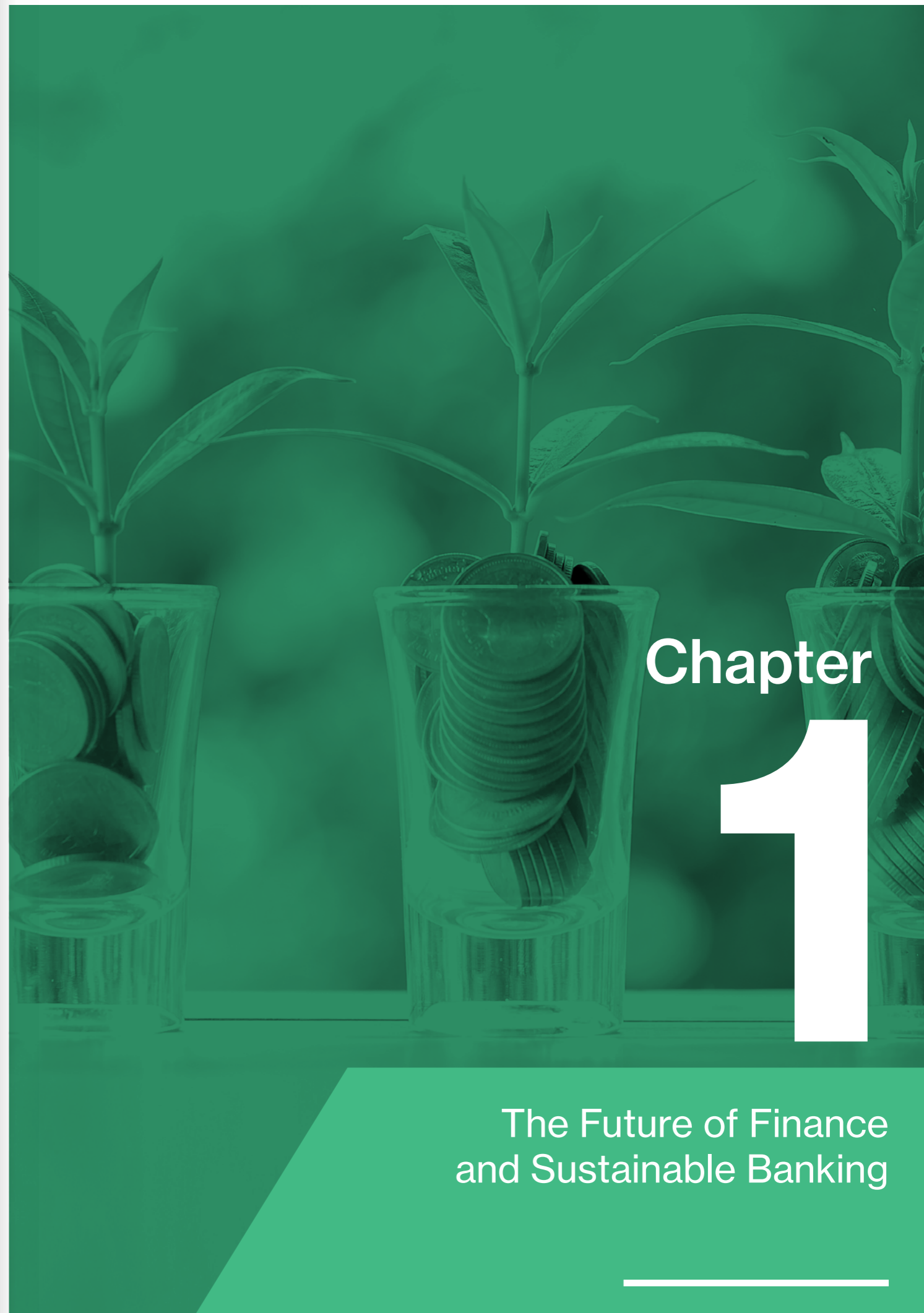
and lasting contribution to the future prosperity of Kosovo”.

that our customers have the knowledge they need to make informed financial decisions”.

Finally, Bakkal tells us that their vision as financial institutions is to be more than just banks:



**AFK ofron përkrahjen e duhur financiare për gratë ndërmarrëse në Kosovë.**



## Chapter

# 1

## The Future of Finance and Sustainable Banking



**ANTIGONA LIMANI BEJTULLAHU**  
 HEAD OF SUSTAINABILITY  
 AND COMMUNICATIONS  
 RAIFFEISEN BANK KOSOVA

# Sustainable Finance: Transforming the World Through Responsible Investing

In an era marked by unprecedented global challenges such as climate change, social inequality, and environmental degradation, the financial landscape is undergoing a profound shift towards sustainability.

**S**ustainable finance, a dynamic and rapidly evolving concept, has emerged as a powerful force driving positive change across the globe. This article explores the essence of sustainable finance and delves into how it is reshaping the world by aligning economic goals with environmental and social objectives.

## Understanding Sustainable Finance

Sustainable finance refers to the integration of environmental, social, and governance (ESG) considerations into financial decision-making processes. It

encompasses a wide range of practices, from responsible investing and green bonds to impact investing and socially responsible banking. At its core, sustainable finance seeks to shift the capital and financing projects towards enterprises that prioritize long-term sustainability, while also addressing pressing societal and environmental challenges.

The term of sustainable finance came into being used more often now, when it was realized that finance industry plays a critical role towards the industrial shift needed for the transition, the conventional financial practices often ignored the externalities associated with business activities. As concerns about

climate change escalated and social inequalities became more apparent, a growing consensus emerged – the pursuit of profit should not come at the expense of people and the planet.

Over the past few decades, a paradigm shift has occurred, fueled by a deeper understanding of the interconnectedness between financial performance, environmental impact, and social well-being. As a result, investors, businesses, and policymakers have started recognizing the need to incorporate non-financial factors into investment decisions.

One of the pivotal aspects of sustainable finance is responsible investing. This approach involves assessing com-

## Responsible investing encompasses various strategies, including:

**1**

**ESG Integration:** Investors analyze a company's ESG performance and incorporate this information into traditional financial analysis, seeking a more comprehensive view of risk and opportunity.

**2**

**Impact Investing:** This approach involves directing capital towards projects or companies with the explicit intention of generating positive, measurable social or environmental impact alongside financial returns.

**3**

**Shareholder Advocacy:** Investors use their influence as shareholders to encourage companies to adopt sustainable practices and improve their ESG performance.

**4**

**Screening:** Some investors employ negative or positive screening, excluding or favoring companies based on specific ESG criteria. For instance, excluding companies involved in fossil fuels or supporting renewable energy initiatives.

panies based on their ESG performance alongside financial metrics. Investors are increasingly considering factors such as a company's carbon footprint, labor practices, board diversity, and community engagement before allocating capital.

## Changing Business Dynamics

Sustainable finance isn't merely reshaping investment strategies; it's also changing the behavior of businesses themselves. As the demand for respon-

sible investment increases, companies are under greater pressure to enhance their ESG performance to attract capital and maintain positive reputation.

## This shift has led to several notable changes:

**1**

**INNOVATION:** Companies are increasingly developing innovative products and services that address environmental and social challenges.

From renewable energy solutions to affordable healthcare innovations, businesses are aligning profit motives with the greater good.

**2**

**TRANSPARENCY AND REPORTING:** There is a growing emphasis on transparent reporting of ESG performance. Companies are now disclosing information about their environmental impact,

labor practices, and other non-financial aspects, allowing investors and stakeholders to make more informed decisions.

**3**

**RISK MITIGATION:** Sustainable finance encourages companies to identify and mitigate potential risks related to ESG factors. This

proactive approach can help businesses avoid costly crises and enhance long-term resilience.

- 4 TALENT ATTRACTION AND RETENTION:** The modern workforce is increasingly drawn to companies with strong ethical and sustainability credentials. Businesses that prioritize ESG considerations are better positioned to attract and retain top talent.
- 5 POTENTIAL TO GROW CUSTOMER BASE:** As with the workforce, the customers as well are looking towards their buying behaviors more consciously and looking for companies who are not looking to maximize profit at the expense of people and the planet, and whose long-term commitment is to have a positive impact on environmental and social aspects.

### Reshaping Financial Markets

The influence of sustainable finance extends beyond individual companies. It is actively reshaping the structure and dynamics of financial markets.

- 1 Green Bonds:** These are debt instruments issued to fund environmentally friendly projects, such as renewable energy initiatives, sustainable infrastructure, and clean technology. The market for green bonds has expanded significantly, providing investors with opportunities to support projects with positive environmental impact.
- 2 ESG Indices:** Stock indices that track companies with robust ESG performance are gaining traction. These indices provide benchmarks for sustainable investment and encourage companies to improve their ESG standing.
- 3 Institutional Shift:** Major institutional investors, including pension funds and sovereign wealth funds, are integrating sustainability considerations into their investment strategies. This shift has the potential to redirect substantial capital towards more responsible and sustainable projects.

Sustainable finance is not only a trend; it is a transformative movement that is revolutionizing the global financial landscape. By aligning economic pursuits with environmental and social considerations, sustainable finance is fostering positive change, from boardrooms to factories and beyond.



As sustainable finance continues to evolve, it will play a pivotal role in addressing some of the most pressing challenges humanity faces. The world is waking up to the fact that financial decisions have far-reaching consequences, and responsible investing is a powerful tool that can drive systemic change. By embracing sustainable finance, we have the opportunity to create a more equitable, prosperous, and sustainable future for generations to come. And in Kosovo we have already started integrating sustainable finance in projects we finance, thus influencing the industry shift in Kosovo towards green and just economy.



**BETIM RETKOCERI**  
HEAD OF RISK DEPARTMENT  
BANKA PËR BIZNES

## Managing the Challenges of Sustainable Banking and Expectations for the Future

Sustainable finance has become a pivotal concept in the global financial landscape, transforming the way businesses and institutions approach investments and capital allocation. At its core, sustainable finance is an approach that seeks to balance financial objectives with environmental, social, and governance considerations.

It represents a fundamental shift from traditional finance, where profit maximization was the sole driver of decision-making. Today, sustainable finance encompasses a broader vision that recognizes the interconnectedness between financial prosperity, social well-being, and environmental protection.

ESG, standing for Environment, Social, and Governance, serves as the guiding framework for sustainable finance.

Environmental considerations involve assessing the environmental impact of investments and promoting environmentally friendly practices like funding projects that support renewable energy,

energy efficiency, clean technologies, and sustainable agriculture. The urgency of addressing environmental sustainability has never been more evident than now when the planet is experiencing record-high temperatures.

Banks play a crucial role in channeling financial resources towards environmentally friendly projects and initiatives.

Social considerations in sustainable banking include labor standards, human rights, community engagement, and diversity and inclusion. Banks through sustainable finance can prioritize fair labor practices, social inclusion, and community develop-

ment. Furthermore, through sustainable financing banks can participate in projects that address social challenges, such as affordable housing, education, and healthcare.

Governance considerations include transparency, accountability, and ethical behavior, which are essential in sustainable finance. Companies and organizations with strong governance structures and a commitment to ethical conduct are favored by stakeholders. Effective governance practices such as transparency in operations, risk management, and decision-making processes are vital for promoting a more sustainable and stable financial system.



Another challenge is related to data availability and quality. Access to reliable and comprehensive ESG data can be limited in Kosovo, particularly for smaller companies and businesses. The ability of banks to assess the environmental and social impact of their investments heavily relies on the availability and accuracy of such data. To address this challenge, efforts should be made to improve data collection mechanisms and establish partnerships to access relevant ESG information.

Human resources and expertise can be considered another challenge for the banking sector. The successful implementation of sustainable finance practices requires the development of expertise and capacity within the banking industry. Analyzing ESG factors and integrating them into decision-making processes necessitates specialized training and education for banking professionals. Collaborating with international organizations and experts can aid in building the knowledge base within banking institutions.

Cultural and behavioral factors can also be considered a challenge. Sustainable finance might not be a top priority for all clients in Kosovo, and there might be a preference for traditional investment approaches. Convincing them to consider ESG factors in their investments requires educational initiatives and effective communication to drive demand for sustainable financial products.

Lastly, the cost factor is a concern, especially for smaller banks. Implementing sustainable finance practices and ESG frameworks might

**Understanding the Challenges**

Sustainable finance and ESG principles have become crucial considerations for the global banking industry due to the pressing need to address environmental and social challenges. In Kosovo, the banking sector faces unique challenges in adopting sustainable finance practices and embracing ESG frameworks as part of achieving sustainable economic growth. Challenges in the implementation of sustainable finance and ESG taxonomy may vary among banks, given the diverse levels of development.

A significant obstacle is the limited awareness and understanding of sustainable finance and ESG concepts among banking professionals and clients. Educating stakeholders about the importance and benefits of these principles is essential to promote their adoption.

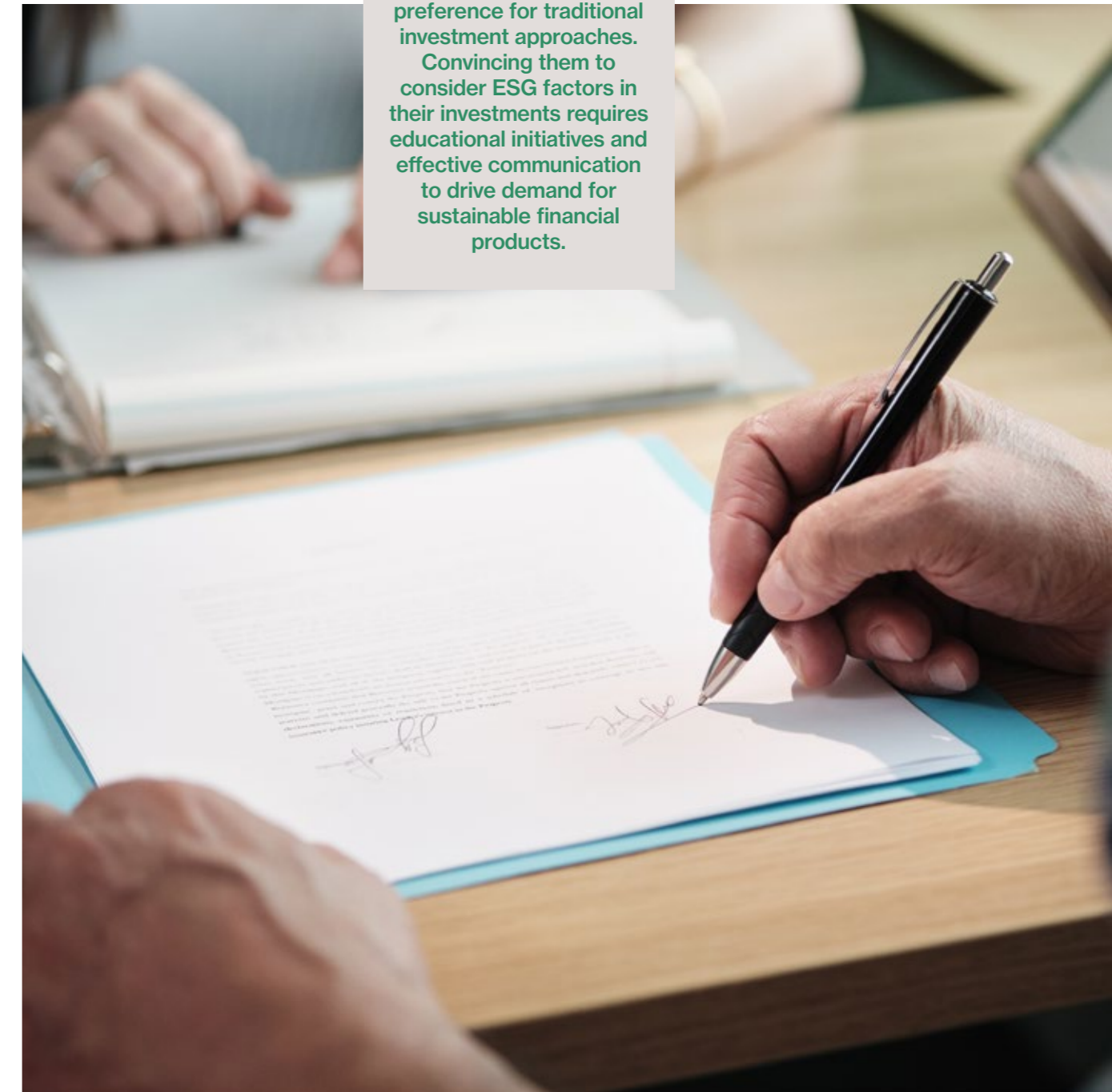
Another concern is the absence of clear and comprehensive regulations regarding sustainable finance and ESG reporting. A supportive regulatory framework is necessary to guide and incentivize banks in integrating ESG considerations into their operations.

require initial investments in technology, data collection, and staff training. However, these investments should be viewed as long-term value propositions, as sustainable finance can yield financial benefits over time.

Despite these challenges, banks in Kosovo can overcome them by raising awareness, fostering expertise, creating a supportive regulatory environment,



Cultural and behavioral factors can also be considered a challenge. Sustainable finance might not be a top priority for all clients in Kosovo, and there might be a preference for traditional investment approaches. Convincing them to consider ESG factors in their investments requires educational initiatives and effective communication to drive demand for sustainable financial products.



building partnerships, and recognizing the long-term value of sustainable finance. Embracing these principles is not only an opportunity but a necessity to promote responsible investment practices and contribute to a more sustainable future for the country and the planet.

### Expectations for the Future

The outlook for the future of sustainable finance in Kosovo is optimistic, with proactive steps being taken by the banks, Central Bank of Kosovo, and Kosovo Banking Association to commit to sustainable practices. As a result, it is expected that sustainable banking will become an integral part of every bank's strategy, benefiting both the environment and society while increasing the banks' overall resilience and competitiveness. In the long term, it is anticipated that sustainable banking will become a core component of every bank's strategy in Kosovo.

One of the expectations regarding the future of sustainable finance is the increased integration. Sustainable finance will become an integral part of mainstream financial systems. As ESG factors gain prominence, they will be more deeply integrated into investment decisions, risk assessments, and corporate governance practices across all sectors of the economy.

Another aspect will be the standardization and regulation. There will be efforts to establish common standards and reporting frameworks for sustainable finance.

Standardization will enhance comparability and transparency, enabling investors and stakeholders to make more informed decisions about sustainability performance. In our local context, the Central Bank of Kosovo has started working towards developing a comprehensive regulatory framework specifically tailored to sustainable banking which will provide banks with the necessary motivation and certainty to integrate sustainability into their operations.



Collaboration and capacity building is another aspect of expectations regarding sustainable finance.

Collaboration between banks, governmental agencies, civil society, and international organizations can play a crucial role in advancing sustainable banking in Kosovo.

Joint initiatives can foster capacity-building programs, sharing of best practices, and development of ESG expertise within the banking sector. In this regard, the Kosovo Banking

Association (KBA) has taken steps towards implementing ESG standards through the formation of a Sustainable Banking subcommittee.

Through coordination among banks, cooperation with international organizations, and joining the Sustainable Banking and Finance Network (SBFN), the banking sector in Kosovo will gradually align itself with global sustainability standards.

Raising awareness among both financial institutions and the general public is vital for the success of sustainable banking in Kosovo.

The expectations include public awareness campaigns, workshops, and educational programs which can inform customers about the benefits of sustainable banking, encouraging them to choose ethical and environmentally responsible banking services.

Nevertheless innovative technologies will play a vital role in advancing sustainable finance. Digital solutions will enable better data analysis, risk modeling, and impact tracking, enhancing the effectiveness and efficiency of sustainable investment strategies.

Overall, the future of sustainable finance holds great promise for driving positive change, fostering responsible investment practices, and creating a more sustainable and inclusive global economy.

Banks that embrace sustainability early on will gain a competitive advantage and attract a more socially and environmentally conscious customer base. In the pursuit of these goals, the banking sector will not only secure its own future but also contribute to a more sustainable and resilient Kosovo.



**FATOS HASANI**  
HEAD OF ENVIRONMENTAL  
MANAGEMENT UNIT  
PROCREDIT BANK KOSOVO

# Reducing Carbon Footprint in Kosovo: ProCredit Bank as a leader in Sustainable Finance

**K**osovo has just begun its transformative journey. For years, Kosovo citizens have been locked into coal-fired power generation. The country's energy landscape, dominated by coal, is gradually shifting towards a more sustainable future. This journey is far from over; it's a continuous, dynamic process, and ProCredit Bank is at the forefront, overcoming challenges with unwavering determination.

In this enduring endeavor, we know that the transition to renewable energy can be capital-intensive, and the regulatory environment is still evolving, and this makes all the initiatives more challenging. Nevertheless, at the heart of ProCredit Bank's initiatives lies a commitment to sustainability—a mindset that transcends the mere financing of renewable energy projects. Sustainability, for us, is not just about changing energy sources

but changing the way people think about and interact with energy and the environment. On the one hand, now more than ever it is crucial, necessary to finance renewable energy projects and reduce Kosovo's carbon footprint, on the other hand it is deeply rewarding experiencing the positive impact.

Let's delve deeper into our ongoing efforts on sustainable finance, starting with our role in financing renewable energy projects.

In this ongoing pursuit, ProCredit Bank has already facilitated numerous renewable energy projects. Since 2019 we have financed 135 photovoltaic system investments amounting to more than 25MW (mega-watt) of installed capacity for both self-consumption and commercial use. By harnessing the power of the sun, despite reducing electricity bills, this is equivalent to empowering up to ~4,000 households with clean electricity and avoiding up to 25,000

tCO2 annually. That's equivalent to taking over 8,700 cars off the road for a year. The bank also champions energy efficiency initiatives, recognizing that every step towards sustainability is a vital part of this transformative journey. We have been relentless in our support for energy efficiency investments. Our green loan portfolio has exceeded 110 million Euros on which energy efficiency investments alone participate by 78%.

In a developing country such as Kosovo, we recognize the fact that at least in the initial phase these investments require financial incentives as well. Therefore, we have partnered up with EBRD to provide up to 15% returns on investments for all green investments. To eliminate the barrier of providing the necessary collateral for loans we have also partnered up with Kosovo Credit Guarantee Fund by pioneering GROW (Green Recovery opportunity



PROENERGY 3MW SOLAR PARK

Window), a window designed especially for Energy efficiency and Renewable Energy investment measures.

ProCredit Bank's commitment to sustainability goes beyond individual projects. The bank incorporates environmental, social, and governance (ESG) criteria into every level of decision-making, ensuring that every decision is checked against the impact on the environment, employees, clients, and the broader community.

Besides numerous in-house projects and green investments, a shining example of the bank's commitment to renewable energy and sustainability is our own 3Mw solar park – ProEnergy. The project is located in Lipjan, at Grackë e vjetër village and covers around 4 HA of land. It has costed EUR 2.5 million, and the expected annual production is 3,711 MWh. This equals the consumption of some 450 households of average monthly consumption up to 700 kWh, thus contributing to the energy transition in Kosovo. The project will be used to offset around 3,500 tCO2 of ProCre-

Since **2019** we have financed **135** photovoltaic system investments amounting to more than **25 MW** of installed capacity for both self-consumption and commercial use.

dit Group's own emissions annually. While the benefits of energy-efficient, renewable energy investments are clear, convincing business owners to invest in solar panels can be challenging, particularly if they perceive it as a substantial upfront cost and there are other pressing priority investments on the table.

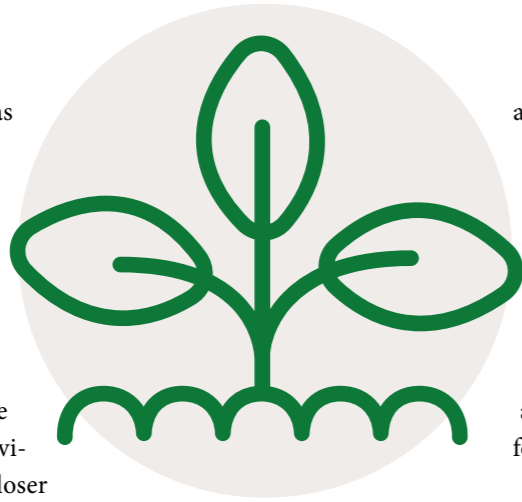
Therefore, education remains a cornerstone of this ongoing journey. ProCredit Bank has expanded its outreach by engaging in constant discussions and dialogue with businesses and private individuals, connecting different stakeholders together.

Sharing our own investment examples and the best practices possible enables us to equip all stakeholders with in-depth knowledge about renewable energy systems, energy efficiency, and sustainable practices.

This increased expertise is invaluable as it enables businesses to make informed decisions regarding renewable energy adoption and energy-efficient technologies.

We have come to realize that as businesses become more aware of the benefits of renewable energy and energy efficiency, they are more likely to continue investing in sustainable practices, promoting sustainable growth in Kosovo. They are also better prepared to navigate energy price fluctuations and environmental regulations, getting closer to becoming energy independent and carbon neutral.

This contributes to Kosovo's overall efforts to combat climate change and improve environmental quality.



ProCredit Bank's role in advancing renewable energy in Kosovo is more than just financial; it's a commitment to the environment, the economy,

and fostering a sustainable mindset. Despite the challenges, ProCredit Bank's efforts are propelling Kosovo toward a sustainable energy future, with tangible benefits for the environment, the economy, and the country's future. In this green revolution, ProCredit Bank is not just a financial institution; it's a driving force for change and progress.



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Apliko Online



**YLL BILURDAGU**  
PROJECT AND COMPANY ANALYSES OFFICER  
ZIRAAT BANKASI

## How can sustainable banking help in combating climate change?

Over the past decade, climate change has become one of the biggest challenges facing humanity. Numerous studies show that climate change is mainly caused by human activities that increase the concentration of greenhouse gases in the atmosphere, such as burning fossil fuels, deforestation, agriculture, and industry. Climate change has a wide range of impacts on the world, primarily through the threats posed by melting ice and rising sea levels which threaten coastal commu-

nities, islands, and ecosystems. Additionally, it alters weather patterns and increases occurrence of extreme events, which then affect water availability, crop production, food security, health, and biodiversity. As the climate changes, some species may have to move to new areas to find suitable conditions for their survival. This can disrupt the balance of ecosystems and affect the services they provide, such as pollination, pest control, and nutrient cycling.

As the risks continue to rise, there has been a positive shift in global awareness

regarding these threats. Not only environmental organizations and the media but also international organizations, governments, and central banks have recognized the urgency and taken decisive actions in combating these threats.

Main initiative has been taken from United Nations, in December 2015, in Climate Change Conference in Paris, which is widely known as Paris Agreement, with aims to limit the global average temperature rise to well below 2°C above pre-industrial levels and pursue efforts to limit it to 1.5°C. The Paris Ag-





reement also provides a framework for financial, technical and capacity building support to help countries adapt to the impacts of climate change and transition to low-carbon development. The Paris Agreement is considered a landmark in the multilateral climate change process because it brings all nations together to combat climate change and its effects.

The European Union historically made efforts in this aspect. The European Green Deal is a set of policy initiatives by the European Commission aimed at making the European Union climate neutral by 2050. The deal inclu-

des a plan to increase the EU's greenhouse gas emission reductions target for 2030 to at least 50% and towards 55% compared with 1990 levels. The plan involves reviewing existing laws on their climate merits and introducing new legislation on the circular economy, building renovation, biodiversity, farming, and innovation.

Most recent initiative is the directive approved from European parliament on the Corporate Sustainability Due Diligence, which will impact EU based companies with more than 250 employees and turnover exceeding 40 million, spanning all sectors, including

financial services and non-EU companies (with a turnover higher than 150 million as long as at least 40 million of that turnover is generated within EU).

The directive establishes rules for due diligence on human rights and the environment. It addresses issues like child labor, slavery, labor exploitation, pollution, environmental damage, and biodiversity loss. The rules apply to a company's value chain partners, including suppliers, distribution, transport, storage, and waste management. To fight global warming, all companies must create and follow a plan to limit it to 1.5°. Non-compliance with the rules

results in severe penalties enforced by national supervisory authorities. Sanctions include fines of at least 5% of the company's global turnover.

### How can we as the banking sector contribute in this global challenge?

Combating climate change requires an important green transformation in all sectors. Banks' role in this global effort is crucial. They are affecting the environment not only resulting from their own operations (use of service buildings, use of energy and water, etc.), but also and more importantly from the loans they extend. While the banks are exposed to risks related to the consequences of climate change, they also meet some opportunities due to their critical role in creating the necessary funds for green transformation.

A large number of financial institutions are now aware for the importance of sustainability in their performance, in order to ensure the continuation of their operations without compromising the possibilities of future generations.

In addition to adhering highest ESG (environmental, social and governance) standards in daily operations, banks have the possibility to make positive impact through directing funds in sustainable projects, and companies which have awareness regarding ESG standards and implement them.

We, as Ziraat Group understand the significance of ensuring environmental and social sustainability as well as inclusive economic growth within the framework of a sustainable development perspective, and we are aware of the contributions we can make in this direction as a financial institution. Our bank is determined to continuously develop projects with the aim of integrating the universally accepted

principles of sustainability into our business model.

In 2014, our Sustainability Policy, summarizing the Bank's sustainability vision, goals and approach and defining the bank's stance on environment and society and product/service axes, was accepted by the Board of Directors and

announced publicly. Following that, Responsible Banking is approved and announced as one of the main strategies of Ziraat Bank, which is targeting to integrate environmental and social risk governance principles into the Bank's business model.





**This policy is focused on providing environmentally and socially impactful financing based on the following four pillars:**

- 1 long-term environmental and social perspectives;
- 2 financing climate change action and the transition to a low carbon economy;
- 3 approach decision-making considering environmental and social issues and associated potential risks; and
- 4 continuous development and integration of universally accepted sustainability principles into the Bank's business model.

With the rapid increase in interest in green and sustainable finance among investors around the world, Ziraat group has developed its "Green, Social and Sustainable Finance Framework" which provides a clear and transparent set of criteria to enable investments that support the transition to a low-carbon economy and create long-term value for stakeholders and the society as a whole. The criteria set is prepared in accordance with the international practices and shows the Bank's definition of projects as sustainable if they relate to; renewable energy, green buildings, clean transportation, energy efficiency, environmentally sustainable management of living natural resources, sustainable water and wastewater

management and land use, pollution prevention and control, transition to a circular economy, employment generation, access to essential services, affordable housing etc.

Therefore, we can conclude that the current drivers of financial institutions towards sustainability are not only external factors such as pressure or regulations, but internal factors, such as awareness about

seriousness of situation regarding climate change, additionally numerous opportunities and possibilities deriving from implementation of these standards and practices, which have benefits for our clients, bank, environment, and society.



**GJAKUSH ÇAPARI**  
PROGRAM COORDINATOR, NGO  
CLIMATE AWARENESS ASSOCIATION

Mr. Çapari joined "The Future of Sustainable Finance and Banking" chapter contributors, to provide an overview of the current environmental situation and sustainability, ways to protect the environment, and the environmental impact of individuals and institutions in Kosovo. He shared, inter alia, valuable advice and messages.

**S**peaking about public awareness of environmental issues, Çapari notes that Kosovo faces fundamental problems in terms of awareness and actions to mitigate climate change due to how low these issues rank in priority in civic education and engagement, which makes any progress towards a more sustainable future challenging. Nevertheless, recently some NGOs and citizens' initiatives have started to address these issues and develop certain programs and activities related to waste management and circular economy, stated he.

Next, Çapari identifies the key environmental problems that Kosovo faces and their causes:

"Like all over the world, in Kosovo too we are facing steep increases and record temperatures, which directly affect the lives of people, animals and plants. Air pollution, primarily in winter, due to the Obiliq power plant and heating with wood and coal is another big problem in Kosovo. Another concern is the pollution of clean waters caused by, inter alia, urban sprawl and uncontrolled sewage flows, affecting aquatic ecosystems. Also, illegal logging is alarming, since according to the latest data, Kosovo's deforestation rate is 2 hectares per day!!

In view of Kosovo's significant setbacks in environmental issues and the low level of citizens' awareness, Çapari shared about the workshops held by





**“Everything starts with the individual, because we as individuals have great potential to make a difference and influence others.”**

the organization he works for, Climate Awareness Association. In the workshops on climate change Climate Fresk and the circular economy Eco-Shift Kosova, participants acquire knowledge about climate change so that they may become agents of

change in their communities. Some of the concepts that the participants gain awareness on by attending these workshops, which focus on reducing the carbon footprint, are using alternative modes of transportation, changing food products, energy

conservation, implementing sustainable practices such as reducing, recycling and reusing products, etc. Among other things, Çapari emphasizes the pressing issue of integrating environmental issues into education curricula as part of an effective awareness strategy:

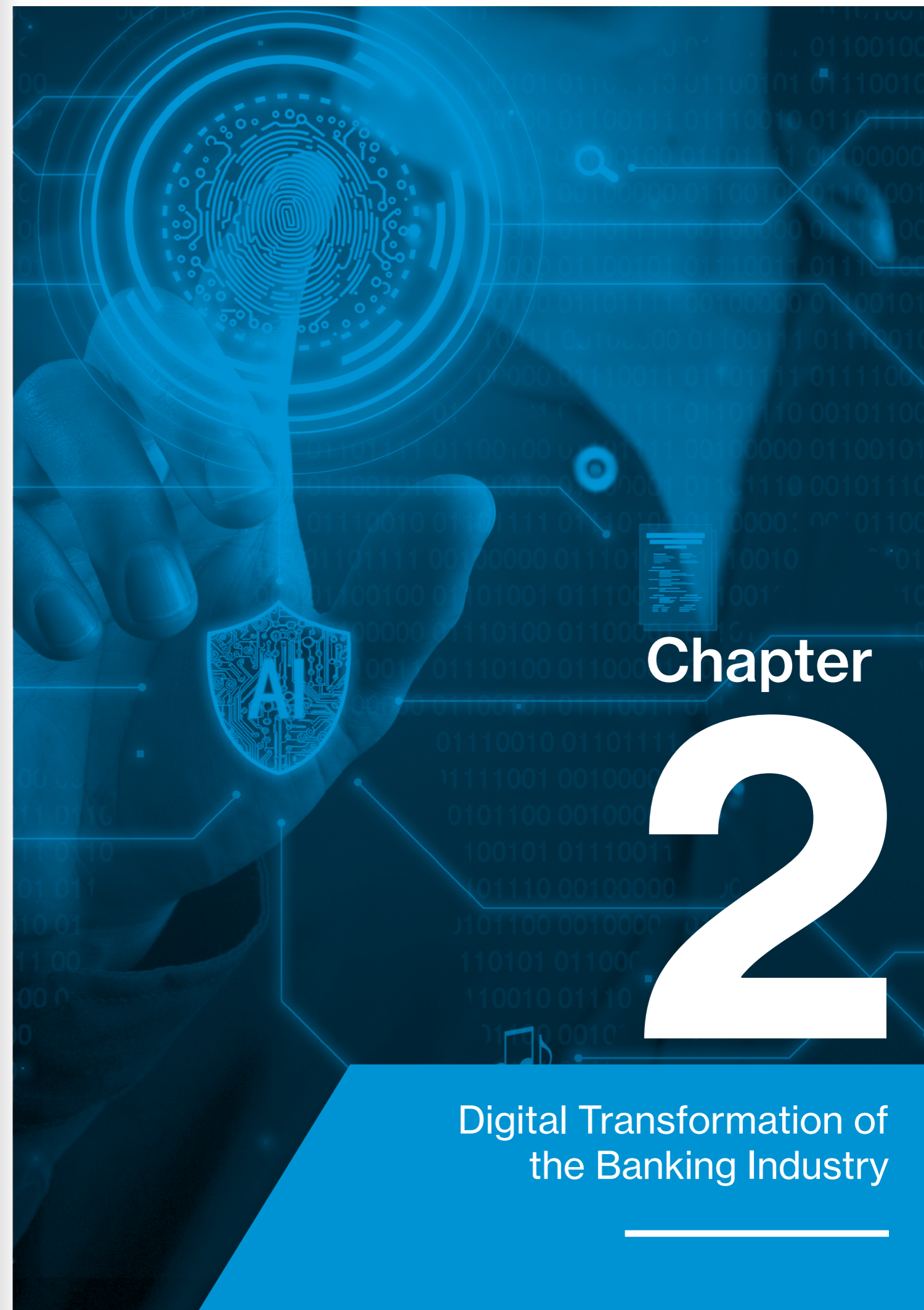
“Our future depends on the new generations. They should be educated and aware of the importance of protecting the environment and fostering behavior for the implementation of sustainable practices.”

Regarding the institutions, he points out that they should constantly invest in awareness campaigns targeting environmental issues, and even apply fines:

“Institutions can also create state funded programs to promote sustainable practices, such as tax cuts for individuals or businesses that apply renewable energy sources, lower prices for people using public transportation, encouragement to say no to single use plastic, etc. But the fines should also be more effective, targeting conduct such as intentional pollution of the environment, uncontrolled disposal of waste.”

In conclusion Mr. Çapari imparted on us that the harms caused by climate change are consequent to human activities and irreparable, cautioning about the responsibility of each and every one of us to take care of our environment:

“We cannot offer solutions to the problem of climate change, but we can urgently take small actions to reduce the impact of climate change on the environment. We all need to become more educated about environmental issues, the causes, and consequences of climate change, and reduce our carbon footprint in order to contribute to a greener and more sustainable future,” stated Çapari.



Chapter

2

Digital Transformation of the Banking Industry



**XHANAN KARAQA**  
HEAD OF SECURITY  
NLB BANK

## Enhancing Information and Privacy Security in the Digital Banking Era

The digitalization of banking services has transformed the financial industry in Kosovo, providing convenient and efficient ways for customers to manage their finances.

The digitalization of banking services has transformed the financial industry in Kosovo, providing convenient and efficient ways for customers to manage their finances. As banks embrace digital technologies, it is crucial to prioritize information and privacy security to protect both customers and the integrity of the financial system. This article explores the importance of bank digitalization, the impact of digitalization on information security and privacy, the need for infrastructure upgrades, compliance with law requirements and international standards, collaborations with regulatory bodies, staff training, and client awareness campaigns to promote digital products while ensuring data privacy and security.

### Importance of Bank Digitalization

Bank digitalization offers numerous benefits, including enhanced customer experiences, streamlined processes, increased operational efficiency, and cost savings. In recent years, the number of the usage of electronic channels for payments has increased significantly. If specified by number of transactions, in year 2021 around 7 million transactions were made via e-channels, and it has increased for 26.4 percent compared with the year of 2020 (CBK Annual Report 2021). Customers can access their accounts, transfer funds, pay bills, and perform various transactions conveniently from their devices, saving time and effort. Digitalization enables banks to offer personalized services, such as

tailored product recommendations and financial management tools, based on customer data analysis. Furthermore, it fosters financial inclusion by reaching unbanked populations and underserved areas through mobile banking and digital payment solutions.

### Impact of Digitalization on Information Security and Privacy

While digitalization brings significant advantages, it also introduces new risks and challenges concerning information security and privacy protection. The digital ecosystem is increasingly targeted by cyber threats, data breaches, and fraudulent activities. As custodians of customer data, banks must implement robust secu-

rity measures to protect against these threats. Failure to do so can result in severe reputational damage, financial losses, and regulatory repercussions. Safeguarding sensitive information is not only a legal and ethical obligation but also a strategic imperative to earn and maintain customer trust.

### Adherence to legislative framework, International Standards, and EU Directives

According to the EU Commission Kosovo Report 2022, Kosovo developed basic capabilities in cybersecurity. However, it lacks a comprehensive legislative framework, operational mechanisms, technical capacities, and human resources to effectively operate in cyberspace context. Nevertheless, the adoption of the Law on Cyber Security in February 2023, aims to establish the principles of cyber security, the institutions that develop, implement and promote cyber security policy, the responsibilities of the authorities in the field of cyber security, the duties of cyber security entities, inter-institutional cooperation, the prevention and combating of cybercrime in the Republic of Kosovo against any threat or attack and establishes the Cyber Security Agency.

Adhering to law requirements and adopting international standards such as ISO 27001 (Information Security Management System) and complying with the Law on Protection of Personal Data respectively General Data Protection Regulation (GDPR) can significantly strengthen information security and privacy practices. Such frameworks and standards can provide a systematic approach to managing and securing sensitive data, ensuring the implementation of proper controls, risk assessment, and regular audits.



### Infrastructure Upgrade and Cloud Adoption

To support digitalization efforts, banks must invest in infrastructure upgrades, including robust networks, secure servers, and reliable data centres. The adoption of cloud computing technologies can enhance scalability, flexibility, and accessibility while maintaining strong security standards. However, careful consideration should be given to selecting reputable cloud service providers that prioritize data privacy and comply with relevant regulations.

Compliance with GDPR empowers banks to protect customer data, obtain informed consent, and establish transparent data handling processes. By adhering to these standards, banks demonstrate their commitment to robust security practices and build trust with customers.

### Strong Collaborations with Regulatory Bodies

Regulatory bodies play a crucial role in ensuring a secure digital banking environment. Banks should establish strong collaborations with these entities to stay informed about evolving regulations, security guidelines, and best practices. Collaborations foster knowledge sharing, provide insights into emerging threats, and enable banks to adapt their security strategies accordingly. Regulatory bodies also play a vital role in enforcing compliance and holding banks accountable for protecting customer data.

### Staff Training and Awareness

Employees are the first line of defense against cyber threats. Banks have prioritized comprehensive training programs to educate staff members about security protocols, best practices, and emerging threats. Regular training sessions can help employees identify and respond effectively to potential security incidents, maintain vigilance, and protect customer information. Additionally, banks have built a culture of cybersecurity awareness and accountability among employees to reinforce the importance of information security.

### Client Awareness Campaigns

As banks promote their digital products and services, it is equally important to raise awareness among customers about data privacy and security. Through Kosovo Banking Association, banks continuously are launching awareness campaigns, with focus on educating customers about the risks associated with digital transactions, safe online practices, and how to recognize and report potential threats.

Meantime, banks use various channels, including websites, mobile apps, social media, and educational materials, to disseminate information and empower customers to protect their personal and financial information.

**Conclusion**

The digitalization of banking services offers tremendous benefits, but it also brings significant challenges related to information security and privacy. Banks must prioritize enhancing security measures, including infrastructure upgrades and cloud adoption, compliance with legislative framework and international standards and regulations, strong collaborations with



regulatory bodies, comprehensive staff training programs, and client awareness campaigns. By adopting these measures, banks ensure the protection of sensitive cus-

tomers' information, build trust with clients, and contribute to a secure and resilient digital banking ecosystem.



**OZAN GÜLHAN**  
DEPUTY GENERAL  
MANAGER AT  
TERA YATIRIM BANKASI



**ALBAN HETEMI**  
HEAD OF COMPLIANCE  
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AML COMMITTEE  
MEMBER AT KBA

# AML/CFT Compliance in Digital Banking Transformation Age

In recent years, especially after Covid19, the digital revolution has transformed the banking perspective, making banking services and products more accessible and convenient for banks' clients worldwide. The digital banking services have revolutionized the way people manage their finances, because it provides accessibility, and speed to clients worldwide.

The digital transformation has also presented new challenges in light of compliance, especially from financial security perspective, including the combating money laundering and terrorism financing. Considering that financial transactions increasingly migrate to digital channels, regulatory bodies and financial institutions have to adapt their compliance measures and programs to effectively address the risks associated with digital banking.

Financial institutions and their executives have been facing frequent changes in banking regulations and increased sanctions as well as new Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) laws. On top of this there were also financial incidents which hit different banks and other financial institutions. In order to fight such phenomenon banks and other financial institutions needs a robust compliance program with the aim to stop criminals exploiting financial platforms to launder their dirty money with its illicit funds. Our article explores the impact of digital banking transformation in the Compliance Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) by highlighting key challenges and innovative solutions.

Below are presented some trends that may dominate in the AML/CTF Compliance field:

- The increase of using technology in compliance
- Artificial Intelligence (AI) in AML Alert Management
- AML Compliance for cryptocurrency
- Transparency on beneficial ownership
- Information sharing between banks.

## Vula, e cila i jep të ardhmes një mundësi.



Vula "Ne krijojmë gjurmë më të mira" përfaqëson kujdesin tonë për shoqërinë, individët dhe mjedisin, me të cilën NLB Banka integron gjithnjë e më shumë qëndrueshmërinë në veprimtarinë e saj. **Kjo vulë është simbol i përkushtimit tonë për të lënë pas vetëm gjurmët më të bukura.**

NLB Banka



## II. Digital Banking Transformation and the AML/CFT Compliance

Digital banking encompasses a range of financial services delivered through digital channels such as online banking platforms and mobile applications. These platforms have experienced tremendous growth, attracting a diverse customer base seeking accessibility and seamless financial transactions. However, their borderless nature and rapid transaction speeds make them susceptible to exploitation by criminals seeking to launder illicit funds or financing terrorism.

The digital era has presented both opportunities and risks for financial institutions. On one hand, digital banking

has enabled seamless and efficient financial transactions, making it easier for clients to move funds globally. On the other hand, it has also created new avenues for money laundering, terrorism financing, and other illicit activities. Regulators worldwide have responded to these challenges by implementing rigorous AML/CFT regulations, making it imperative for financial institutions to adapt their compliance strategies.

Financial institutions have recognized the need to harness technology to strengthen their AML/CFT compliance efforts. Advanced analytics, artificial intelligence, and machine learning algorithms have become vital tools in detecting and preventing

financial crimes. These technologies enable financial institutions to analyse vast amounts of data, identify patterns, and detect suspicious activities and transactions in real-time, significantly enhancing their ability to combat money laundering and terrorism financing.

Traditional rule-based transaction monitoring systems are gradually being replaced by more sophisticated and adaptive solutions. Artificial Intelligence and Machine Learning algorithms can continuously learn and adapt to evolving patterns of money laundering and terrorism financing, improving the accuracy of detection, and reducing false positives by increasing the quality of suspicious activity

reports. Furthermore, these technologies enable financial institutions to conduct more robust risk assessments by analysing customer behaviour, transaction patterns, and other relevant data points, thereby ensuring a more targeted and efficient approach to compliance.

Know Your Customer (KYC) and Customer Due Diligence (CDD) processes are crucial components of AML/CFT Compliance Program. Digital banking offers opportunities to make these processes more efficient by leveraging automatization and digitalisation.

Digital identity verification solutions, such as biometric authentication and document verification, enable financial institutions to verify the identity of customers remotely, ensuring compliance while providing a remote onboarding service.

The digital era has emphasized the importance of collaboration and information sharing among financial institutions and regulators.

Recognizing that financial crimes transcend geographical boundaries, institutions are increasingly collaborating and sharing information to enhance their ability to detect and prevent money laundering and terrorism financing.

Digital platforms and secure information-sharing networks facilitate real-time communication, enabling swift action and coordinated efforts.

RegTech solutions have emerged as essential tools for financial institutions to support them for managing the complexities of AML/CFT compliance in the digital age.

These solutions automate compliance processes, monitor regulatory changes, and provide robust reporting capabilities.

RegTech platforms enable financial institutions to streamline their compliance efforts, reduce costs, and ensure adherence to regulatory requirements.

By leveraging RegTech solutions, financial institutions can stay ahead of evolving compliance program and focus on delivering innovative digital banking services to their customers.

As digital banking continues to evolve, so will the challenges and complexities associated with AML/CFT compliance.

Financial institutions must remain proactive in adapting their compliance strategies to the digital banking.

Blockchain technology, with its inherent transparency, can enhance the traceability of transactions, making it easier for detecting illicit activities.

**The digital era has presented both opportunities and risks for financial institutions.**



**On one hand, digital banking has enabled seamless and efficient financial transactions, making it easier for clients to move funds globally.**

## III. AML/CFT Compliance Challenges and Innovative Solutions

The digital banking landscape introduces several challenges to AML/CFT compliance efforts:

- **Remote Onboarding:** Digital banking allows customers to open accounts remotely, without physical interaction. This may create difficulties in verifying the identity of customers, as traditional methods like face-to-face meetings and document verification may not be feasible. Enhanced Customer Due Diligence (ECDD) measures are necessary to be established for high-risk clients for such remote clients onboarding process.

- **Anonymity and Pseudonymity:** Digital transactions can be conducted pseudonymously or even anonymously, using cryptocurrencies or digital payment systems. This anonymity makes it challenging to trace the origin and destination of funds, which impacts directly on effectiveness of AML/CFT monitoring and investigation process.

- **Cross-Border Transactions:** Digital banking enables seamless cross-border transactions, through high-risk countries, making it difficult to detect and prevent money laundering and terrorism financing activities that span these countries.

- **Emerging Technologies:** The proliferation of emerging technologies such as blockchain, artificial intelligence, and machine learning adds complexity to AML/CFT compliance. Criminals may exploit these technologies to conceal their illicit activities, requiring advanced technological solutions for effective risk assessment and detection.

To address the challenges posed by digital banking, financial institutions, regulatory bodies, and technology providers may implement numerous innovative solutions:

- **Customer Due Diligence (CDD):** Adopting advanced identity verification solutions, including biometric authentication, digital identity verification, and document verification services, enables the mitigation of the risks of anonymity and pseudonymity. These technologies enhance the accuracy and efficiency of customer onboarding, ensuring compliance with AML/CFT regulations.
- **Transaction Monitoring and Analytics:** Advanced analytics and artificial intelligence-powered algorithms are being employed to monitor and analyse clients' behaviour and transactions. These solutions can identify patterns, anomalies, and suspicious activities, enabling compliance officers proactively to detect money laundering and terrorism financing.
- **Collaboration and Information Sharing:** Effective AML/CFT compliance in the digital banking era requires collaboration between financial institutions, regulatory bodies, and law enforcement agencies. Sharing information, intelligence, and best practices can help identify emerging risks and strengthen the collective response to money laundering and terrorist financing threats.



#### IV. Conclusion

The age of digital banking presents both opportunities and challenges for financial institutions. As digital banking continues to reshape the financial landscape, AML/CFT compliance must evolve to address the unique challenges and risks posed by digital banking transformation. Financial institutions and regulatory authorities have a vital role to play in implementing robust compliance programs that leverage technology, collaboration, and enhanced due diligence to detect and prevent money laundering and terrorism financing activities.

By implementation of advanced identity verification solutions, implementing real-time transaction monitoring systems, promoting collaboration,

and investing in employee training and awareness, financial institutions can strengthen their AML/CFT.

Additionally, regulatory bodies should continue to adapt and refine their frameworks to keep pace with technological advancements and international cooperation to create a robust and cohesive global AML/CFT compliance system.

As the digital banking landscape continues to evolve, it is crucial for regulators and financial institutions to remain proactive, and vigilant in their efforts to safeguard the integrity of the financial system. By doing so, they can ensure the integrity of the financial system while delivering innovative digital banking services to their clients.



**AKILE CERNOBREGU HASHANI**  
HEAD OF PAYMENTS AND BUSINESS  
SUPPORT DEPARTMENT AT  
PROCREDIT BANK KOSOVO

## Empower cash less transactions!

The world is rapidly moving towards a cashless society, and digital transactions are becoming the norm in many countries. In line with this worldwide trend, Kosovo is making progress in empowering cashless transactions. All players in the market are engaged and this marks a positive trend; however, cash remains a dominant mode of payment in the country.

According to a study by the Central Bank of Kosovo, in cooperation with World Bank experts, a significant number of individuals (adults) still need bank accounts, compared with business and their access to banking. Around 61 percent of private individuals have access, and the gender gap is evident, with male dominance having bank accounts compared to females by 15 percent. At the same time, 96.2 percent of businesses have access to a bank account and 53.4 percent of those having accounts use online banking as



Around

**61%**

percent of private individuals have access, and the gender gap is evident, with male dominance having bank accounts compared to females by

**15%**

percent.



evidenced by 2021.<sup>1</sup> It's worth mentioning that around 97 percent of annual payments initiated by adults are cash transactions, mainly commenced at the point of transactions while purchasing groceries and essential goods.

Based on this latest, Kosovo has a lot of homework to foster noncash transactions. For starters, strengthening security mechanisms and working intensively to increase awareness among the population about payment systems' reliability is a must. Followed by an active role of government and regulators to set rules and regulations that facilitate and support digital and electronic banking in general. On the other hand, the banking sector and business should focus on build up the necessary infrastructure to facilitate smoothly replacing cash transactions with electronic payment solutions.

Banks in Kosovo together with Central Bank have been actively working to reduce cash transactions and promote

<sup>1</sup> Retail Payment Costs and Savings in Kosovo, February 2022

digital payments during the last two decades. Their contributions to digital banking in the previous ten years have significantly impacted the country's overall reduction of cash transactions. We did play an active role in inclusion, bringing more individuals into the formal banking system, and providing access to banking services.

Noncash strategy in Kosovo started with introducing electronic card in 2004, this initiative was followed with a significant network of Point of Sales (POS) and Automated Teller Machines (ATM) around the country, continued with 24/7 branches, access to account balance, enabling customer to perform their transaction via digital platforms. Indirectly we influenced cost and risk reduction on cash management. The variety of banking services offered via secured digital platforms during the years enlarged. Enabling individuals and businesses to transfer funds, pay bills, utilities, taxes, and pension contributions, and purchase electronically.

Furthermore, the development of mobile platforms eases and fastens access to users' accounts and performs payments from smartphones. By leveraging mobile wallets and payment applications, the client can purchase and transfer money and pay bills, further reducing dependency on cash.

Parallel with the introduction of digital online platforms and mobile platforms, banks in Kosovo have helped a lot in increasing awareness and education of their clients about the benefits of these platforms via different marketing campaigns and educational initiatives accessible to the public. By doing so, it helped a lot not only their client's education but also the public in general on how to use digital services and platforms.

We continued to encourage individuals and businesses to adopt digital payment methods. As a result of all this holistic effort and engagement, the overall reliance on cash has decreased. However, cash transaction still dominates in Kosovo, as disclosed on the graph below:

Based on the figures taken at the end of last five years CBK source May 2023, the positive developments are encountered on utilization of digital platforms, still amount of cash deposit at banks terminal remained unchanged.<sup>2</sup>

Another fact is that majority of individuals prefers performing one cash withdrawal per month, and when we talk about business sectors like Trade, Construction and Manufacturing, more than 50 percent of transaction are still performed in cash.

Banks do offer most of the services through secure digital platforms, online banking, m-banking, e-commerce, e-wallet, are promising signs toward cash reduction in Kosovo. But there is more to do, and government initiatives are crucial.

Kosovo's government has committed to cashless transactions as part of economic and social development. There were few actions during the years, but the intensity of the government commitment increased during the pandemic with the introduction of E-Kosova, a digital platform for receiving public services electronically, including online payment for the services received. Introducing a digital platform for paying public transportation fees is another incentive for moving toward a cashless economy.

Moreover, encouraging the use of Point of Sales terminal by merchants all over the country, increasing the number of Point of Sales (POS), especially in

sectors that cash transactions are higher comparison to the other is must. According to source of CBK 2023, in 2022 number of card transactions per capita in Kosovo reached 28.7 transactions and it is smaller than the average of card transactions per capita in the euro zone and countries in region.<sup>3</sup>

ProCredit Bank Kosovo, as one of the leaders in digital transformation, played a key role in reducing cash transactions in Kosovo. Initially, with introducing international debit and credit cards, supported by many ATMs and POS terminals all over Kosovo. ProCredit was the first bank in the market that introduced 24/7 branches equipped with automated machines, enabling our clients to perform different types of transactions and payments via card, including cash deposits. Steadily, we increased the va-

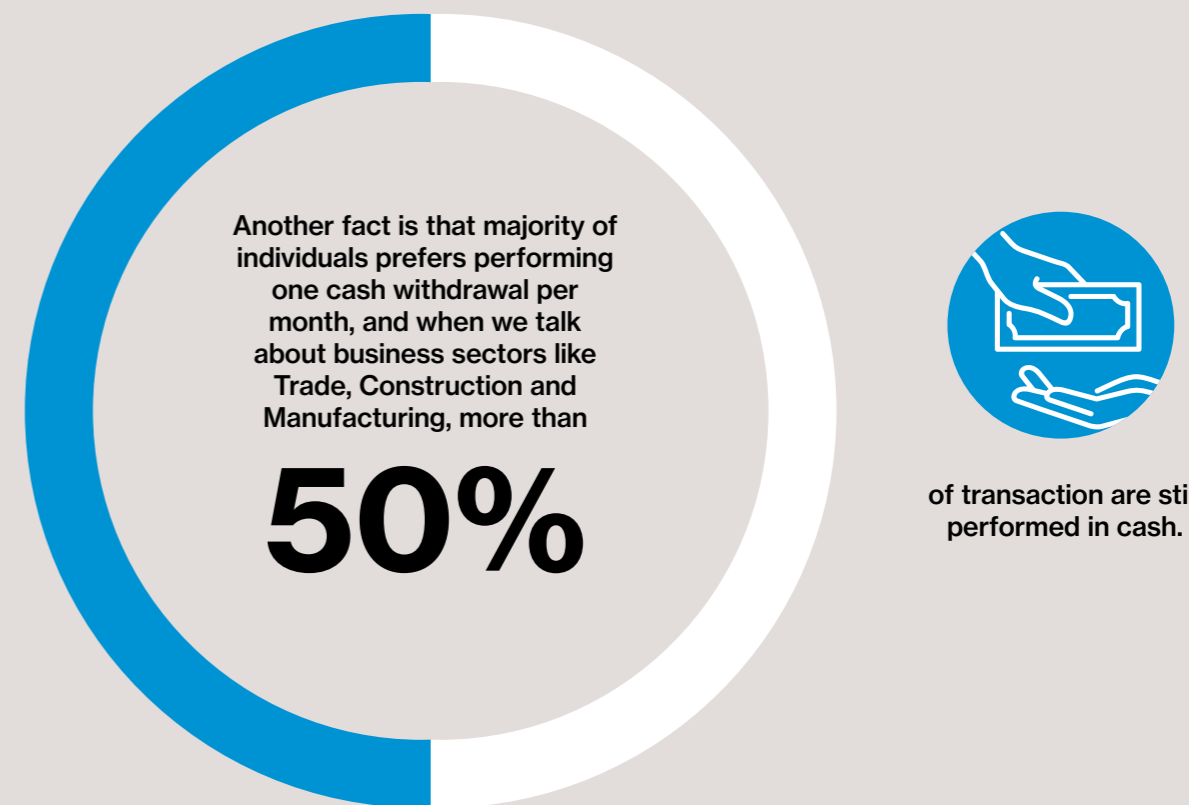
riety of services offered to our clients through highly secured digital platforms, such as online banking, where citizens-initiated requests such as account opening, applying for credit facilities, etc., done in with continuous upgrade of payments services that our client can perform via E-banking or M-banking. Up today we achieved to equip all our clients with at least one digital platform, making their life easy and access to their bank account and services 24/7. Around 99 percent of payments transactions initiated by

our client are performed via digital channels, in terms on full utilization of digital platforms lots of homework remains and an effort by other players in the market is more than necessary, to channel their service as much as possible through digital and secured platforms.

Furthermore, the readiness to support government or any regulatory initiatives for implementing digital payment methods or digital services was one of our bank top priorities. As a result of that PCB was one of the first

bank that implemented Web Services with TAX and Customs, upgrade of National Clearing System, E-Commerce platform, not leaving a side Online Registration and Deregistration of Mortgages via Cadastral Office, last but not least Bank Account Registry an electronic platform for online treatment of Third Parties orders. By doing so, we impacted not only the reduction of cash transactions that persuaded cost reduction, but we helped to increase efficiency for all stakeholders within our ecosystem.

<sup>3</sup> Use of Bank Cards in Kosovo, June 2023



<sup>2</sup> Reports from banks are according to "Regulation on reporting payment instruments statistics", February 2023





**HANA QERIMI**  
CO-OWNER/FOUNDER OF  
THE DIGITAL SCHOOL

In an ever-moving world, digital transformation has become inevitable. As technology continues to move forward at breakneck speed, we have entered a period where digital transformation is no longer optional, but necessary to stay relevant. To give us more information on where technological development and digital transformation stands in Kosovo and the region, we have asked Hana Qerimi to contribute.

**A**sked about the digital transformation of institutions in Kosovo, Qerimi assessed that Kosovo has taken important steps towards digital transformation in public institutions, noting the following:

“Many services for both citizens and businesses, which required a long time to be completed, can now be easily received through the e-Kosova platform. I think that good work has been done in this direction, however, there is still a lot lacking pertaining to the population’s awareness regarding the possibilities and the way to use these services.”

In addition to the achievements noted in terms of digital transformation, Kosovo still faces several challenges:

“The technological infrastructure must be at the right level for the digital transformation to work properly. Most notably, technological equipment should not be outdated, which makes the successful implementation of digital transformation in other cities or even rural areas of Kosovo incredibly challenging. The lack of technological know-how is an exceptional challenge in Kosovo, especially among the older generations. In addition, resistance to change also causes many new digital processes to take time or not work properly because many people have trouble changing habits. Data security is one of the key challenges for the successful implementation of digital transformation, as the personal data of

**“My advice is that the earlier you start the digital transformation, the better, since you can’t escape global trends, and today, it has become necessary for us to succeed.”**

the population must be kept extremely secure and not compromised. Special expertise is required for this.”

Digital transformation is an ever-increasing demand in education as well. It is necessary to improve the quality of education and to prepare pupils and students for a world where technology has a crucial role. Qerimi notes some of the most significant benefits that this change brings to the education sector:

“Digital transformation in education brings a range of important benefits for students. Firstly, it is the quick access to necessary information and resources through technology and the Internet, which allows teachers and students to keep up with global trends. The proper implementation of digital processes in education would help schools to be administered in a much better way, as well as municipalities and the State in general to have accurate information and data regarding the educational attainment, the challenges, and the potential of Kosovo students. This



would also help a lot in making the right decisions according to the needs on the ground.”

Further Qerimi notes that the incorporation of technology in education makes learning more attractive for students but also prepares them for the labor market in the future. On the other hand, young people in Kosovo are showing increased interest in developing digital skills:

“Subjects can be taught in a more interactive way, where the theoretical parts of the lessons can be transformed into practical parts, so that students can see, touch, or experience the lessons

they receive. Through the use of technology in schools, students become more ready for the labor market. Today we are aware that success in any profession is closely related to technological know-how. Young people’s interest in learning digital skills is constantly on the rise. Only in the Digital School in Kosovo, which offers programming courses, there are about 3,000 students between 8 and 18 years of age who are actively learning. This number is steadily growing.”

Qerimi highlights some steps that institutions must follow to achieve digital transformation:



(AI), introducing many changes in our daily life. To help us understand better this phenomenon, with Ms. Qerimi we discussed these changes and the impact of this technology on our society:

“Artificial intelligence is becoming increasingly embedded in every aspect of the digital world and is significantly improving services and user experience. Some AI applications that have great impact on humanity, apart from many other aspects, are in the health and education system. Through multiple datasets collected from different patients, AI can help provide quick and highly accurate diagnostics of different diseases. It can contribute to the prevention of many diseases through the early detection of symptoms.”

In addition to health, Qerimi points out that AI's impact on education and learning will be huge, as AI has the ability to customize learning for each student according to the student's capabilities and needs.

“It can help evaluate performance and provide learning materials according to those results, so that the student has a good and successful learning experience.”

Finally, we talked about the future and development trends in the digital world. Qerimi believes that the digital transformation will continue in various areas of life, rapidly even.

“The automation of processes and the implementation of robotic devices is on the rise due to the resulting increase in productivity and cost reduction. Distance education and learning is also another growing trend that will take advantage of new technologies to create better experiences for students. Digital health is constantly growing by providing health services remotely. The banking system is also becoming increasingly digitalized through various FinTech applications,” Qerimi concludes.

Qerimi highlights some steps that institutions must follow to achieve digital transformation:

“When the process of digital transformation begins, the needs of the institution must first be examined thoroughly, followed by identifying the problems and opportunities that could be improved with the help of technology. A strategy for sustainable

and long-term implementation should be developed, and serious people or companies should be involved in implementation. It is especially important that institutions take care to adapt the digital processes as much as possible to current user habits, so as not to encounter later resistance to adaptability”.

Another hot topic that has received a lot of attention is Artificial Intelligence



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## Data Protection and Privacy of the Client in Online Banking

Online banking is an activity that is constantly utilized by the citizens through the use of today's technology. This means that citizens can remotely perform their banking activities from anywhere in a matter of minutes or seconds, 24/7.

In this article, our aim is to offer comprehensive insights and best practices, drawing from the experiences of Raiffeisen Bank Kosovo. We'll focus on safeguarding of personal data against external threats, but we'll also delve into the vital concept of Raiffeisen International AG of internal data protection within the bank itself. It's essential to recognize that the bank, too, must adhere to stringent guidelines and principles when handling personal data, as there are limits to what it can do with this sensitive information.

Let's start with the safeguarding of personal data, how is this done and what

are the implications? The answer to this question is rather complex as it implies privacy protection issues and identity theft; during online banking the users reveal information such as their name, surname, location, email address, and more, which could end up being compromised due to a data breach.<sup>1</sup>

Personal Data under the Kosovo Law on protection of Personal Data is defined as 'any information related to an identified or identifiable natural person ('data subject'); an identifiable natural person is one who can be identified directly or indirectly, particularly by reference to an identifier such as a name, an identification num-

ber, location data, an online identifier or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person;<sup>2</sup>

The General Data Protection Regulation (GDPR) that came into effect in May of 2018 'has increased awareness about the protection of personal data both within and outside the EU and has prompted companies to adapt their practices to consider data protection principles.'

Kosovo has aligned its legislation in accordance with the General Data Protection Regulation (GDPR)<sup>3</sup>, however the effects are yet to be reviewed.

<sup>1</sup> Law No. 06/1 -082 on protection of personal data, Article 3, para 1, sub-paragraph 1.1

<sup>2</sup> Commission Staff Working Document [...] Accompanying the document Communication from the Commission to the European Parliament and the Council Data Protection as a pillar of citizens' empowerment and the EU's approach to the digital transition - two years of application of the General Data Protection Regulation (COM (2020) 264 final), pg.27

<sup>3</sup> Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)

While the banks in Kosovo have put in place safeguarding policies and protection mechanisms, making them generally safe, though they are not risk-free of increasing cyber-attacks, as they need constant system adaptations and alignments. Analyzing further the privacy issues and online banking one of the banks that operates in Kosovo, namely the Raiffeisen Bank Kosovo (RBKO), a subsidiary of Raiffeisen Bank International AG (RBI) and Member of RBI Group, serves as a practical example to demonstrate how the banks are dealing with security of data from customers, employees and partners and what measures they utilize, how they respond to rapid technology changes, or simply how they protect information as well as technical infrastructure.

All the above measures and recommendations are applicable and strongly recommended by the Raiffeisen Bank Kosovo, and other banking institutions

**At RBI Group the fundamental principles of security include:**

- **CONFIDENTIALITY** information is not made available to unauthorized individuals, entities, or processes.
- **INTEGRITY** ensuring the accuracy and completeness of information.
- **AVAILABILITY** making information accessible and usable upon demand by an authorized entity.<sup>4</sup>

<sup>4</sup> Group Security Technical and Organizational Measures (for more see at: [https://www.rbinternational.com/en/who-we-are/security/\\_jcr\\_content/root/responsivegrid/contentcontainer/contentbox/downloadlist/download.html/0/Technical%20and%20Organizational%20Measures.pdf](https://www.rbinternational.com/en/who-we-are/security/_jcr_content/root/responsivegrid/contentcontainer/contentbox/downloadlist/download.html/0/Technical%20and%20Organizational%20Measures.pdf), pg.3

<sup>5</sup> <https://www.raiffeisen-kosovo.com/en/personal/help-tools/tips-about-online-safety.html>

**In line with RBI Group security principles Raiffeisen Bank Kosovo (RBKO), Member of RBI Group, also applies Security principles and provides the following recommendations:**

- only access the official domain name of Raiffeisen Bank Kosovo: raiffeisen-kosovo.com 4
- be cautious about sensitive information provided online, as the Raiffeisen Bank Kosovo will never ask for sensitive information such as user password, OTP or PIN number, or credit card details through phone, text messages, or e-mails.
- avoid using e-Banking services on a public computer, and do not use public WI-Fi
- do not store banking credentials unless encrypted.
- do not use the same password for other entities such as social media platforms.
- avoid installing any non-standard or untrustworthy software on personal devices.
- monitor frequently account transactions, possibly on a daily basis (such as through our Raiffeisen Plus platform).
- use online services in an up-to-date environment – such as operating system and browser to have the latest updates installed.
- have functional anti-malware or firewall solutions.
- always log out manually when done with banking services.<sup>5</sup>

in Kosovo, though privacy issues and online banking will remain a constant challenge for the sector throughout.

Now let's have a look about data protection of personal data within the banking institution itself.

Bank data is indeed considered sensitive information for a multitude of reasons, mainly due to its potential for misuse, which can result in significant harm to individuals affected. The advent of digital technology and the ever-increasing reliance on electronic payment methods have made it crucial for individuals and institutions alike to prioritize data protection and

data security as you can read in the suggested measures above.

One further important aspect to consider is that not only online criminals pose a threat to payment data security. Even banks and other financial institutions have a vested interest in utilizing this data for various purposes. However, it is imperative that strict data protection measures are also in place within the bank (Keyword: Chinese walls and Need to Know principle) to ensure that a utilization of personal data occurs within the bounds of legal frameworks and respects the privacy and rights of individuals.

One area where data protection becomes particularly pertinent is in the implementation of „smart data procedures“ or „dynamic pricing.“ These processes are designed to extract specific insights from customer data for advertising and marketing purposes. To achieve this, various score values are generated to determine a customer's potential interest in a particular product or service. This analysis often involves delving into payment transaction data and, in some instances, incorporates external data pertaining to the customer's living environment. For instance, when assessing a customer's suitability for a consumer loan, a comprehensive set of 162 data points may be scrutinized. These data points encompass a wide range of information, including details about the receipt of social benefits, household expenses, vehicle costs, basic expenses related to energy consumption, income levels, cash withdrawals, and transactions made in e-payment categories such as PayPal and Amazon, among others.

In a world where data is increasingly considered as valuable as currency itself, the protection of sensitive bank data takes on paramount importance. The potential for misuse, whether by malicious actors or well-intentioned organizations, underscores the need for stringent data protection measures. While financial institutions and businesses have also legitimate interests, legal or contractual obligation in utilizing payment data for various purposes, they must navigate this territory with utmost care, respecting the boundaries set by data protection regulations like GDPR.

Ultimately, the overarching principle should be one of empowerment, ensuring that individuals have control over how their sensitive bank data is



utilized. This not only aligns with the tenets of data protection regulations but also fosters trust between financial institutions and their customers in an increasingly data-driven world. As technology continues to advance, maintaining this equilibrium between innovation and privacy will be pivotal in safeguarding the integrity of sensitive financial information.

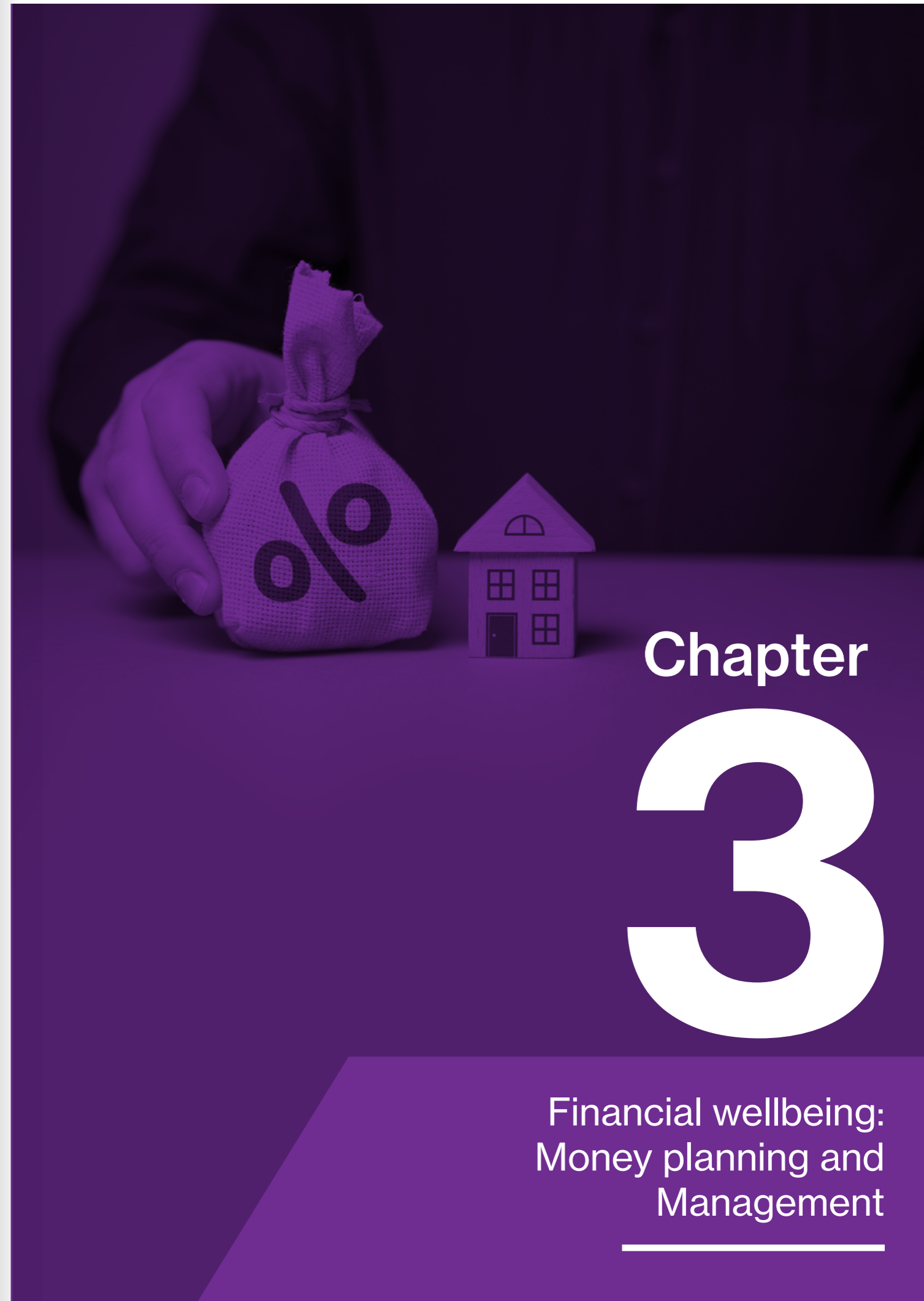
In conclusion, we tried in this article to shed light on the crucial aspects of online banking and the protection of personal data, both from external threats and within the banking institution itself. We've explored the complex landscape of data privacy, identity theft risks, and the need for stringent safeguards, as well as the responsibilities of financial institutions.

Make

your  
sustainable  
transition

happen

Let us guide you to  
**transform** and **grow**  
your **business sustainably.**



Chapter

**3**

Financial wellbeing:  
Money planning and  
Management

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**VESA KUQI GAGICA**  
DIVISION DIRECTOR FOR PAYMENTS AND TREASURY  
NLB BANK

## Building financial resilience: The importance of emergency funds and planning for unexpected expenses

**F**oBuilding financial stability is essential for every individual, therefore this article aims to provide information and educational knowledge to readers on the importance of savings and emergency funds to empower citizens to overcome unexpected expenses and achieve financial stability.

Emergency funds and savings serve different purposes in personal finance. An emergency fund is specifically designated to cover unexpected and urgent expenses, acting as a means of financial security during unforeseen

crises such as medical emergencies or job loss. It should be easily accessible and should usually cover at least three months of essential living expenses, in special cases it may be needed for a longer period if only one member of the family is employed. This fund provides enough time to support yourself and your family while creating a financial plan. However, the size of an emergency fund should be customized based on individual financial circumstances and specific requirements, as each person's financial situation is unique.

On the other hand, savings are for planned goals and future expenses, such as vacations, education and retirement. Both emergency funds and savings are integral to achieving financial flexibility and overall well-being. They complement each other in a harmonized financial plan and play critical roles in achieving financial sustainability.

By understanding the unique challenges facing the citizens of Kosovo and promoting the adoption of prudent saving habits, we can foster a culture of financial sustainability that strengthens

the economic well-being of individuals and the nation as a whole.

The economy is prone to fluctuations due to factors such as political instability, external shocks such as natural disasters, health emergencies or economic downturns. This volatility underscores the importance of savings as a hedge against uncertain times and unexpected expenses. Saving money isn't just a habit, it's a vital aspect of personal finance.

In fact, the COVID-19 pandemic has highlighted the critical role of emergency savings in providing financial security and preparedness during unexpected crises, households with sufficient emergency savings were better prepared to withstand unexpected losses of jobs, income reduced or unexpected medical expenses.

Moreover, according to the latest data on the banking sector in Kosovo, citizens' deposits in the banking sector are about

**65%**

in current accounts,

**25%**

are time deposits and

**10%**

in savings accounts.

: Money planning and Management

However, according to survey data on living conditions in Kosovo, 57% of families cannot afford an unexpected expense of €100, this is an important indicator of the lack of funds and the lack of planning for emergency funds.<sup>1</sup>

Moreover, according to the latest data on the banking sector in Kosovo, citizens' deposits in the banking sector are about 65% in current accounts, 25% are time deposits and 10% in savings accounts<sup>2</sup>. This distribution of funds in the banking system of Kosovo emphasizes the need for financial education to promote better saving habits and long-term financial planning. Encouraging individuals to allocate more of their funds to savings accounts or long-term deposit accounts can help them earn more interest and reach their long-term financial goals.



<sup>1</sup> Kosovo Agency of Statistics - Results of Statistics on income and living conditions 2020, pg.18

<sup>2</sup> Kosovo Banking Association, Market Reports for Q2-2023, Balance Sheet of the Banking Sector of Kosovo

Considering that access to funds is quite limited if we don't have an emergency fund, most citizens try to direct these emergencies to family or close friends. Especially support is required for those who live in the diaspora, taking into account that for 8% of households in Kosovo, they are the main source of income, in addition to the income of 15% from pensions and 50% from the private and public sector, which is the most important source of family economies<sup>3</sup>. Some other important sources that are seen as savings are pensions, but they cannot actually be used whenever they are needed.

On the other hand, financial institutions educate customers about emergency funds, provide tools to track savings progress, and offer low-risk investments. They offer personalized financial guidance, loan options for unexpected expenses and online banking for easy access to emergency funds.

Banks offer many forms of savings products such as savings accounts where citizens can earn interest and

at the same time have the option of withdrawing funds whenever they need without any interest penalty.

Savings accounts are deposit accounts where individuals can deposit their money safely and earn interest over time. These accounts often have no fees, offer easy access to funds, and are suitable for short-term savings purposes.

Time deposits are savings products that offer higher interest rates compared to regular savings accounts. With a term deposit, individuals deposit a fixed amount of money for a set period (eg 6 months, 1 year or longer), in return, they earn a fixed rate of interest. Term deposits are suitable for individuals with medium to long-term savings goals who can afford to lock in their funds for a certain duration.

Individual investment accounts are also available, such as Kosovo Government or international securities, which are considered safe investments and with the lowest risk compared to other types of investments, such as investments in shares that carry more risk with high fluctuations in value.

Furthermore, the Government can also play a key role in helping citizens build financial resilience by implementing comprehensive financial education programs in schools and community centers can empower citizens with essential financial knowledge.

Many citizens of Kosovo, especially in rural areas or marginalized communities, face barriers in accessing formal financial services. Promoting financial inclusion and educating citizens about available options are essential steps toward building financial resilience.

Unexpected expenses can arise at any moment such as medical emergencies, sudden job loss and others. By building a savings fund, individuals can mitigate the impact of such events and prevent them from spiraling into long-term financial crises. By prioritizing savings and promoting inclusive financial systems, we can empower countries like Kosovo to overcome uncertainties, encourage entrepreneurship and achieve sustainable development.

**One way to build an emergency fund is by following a spending plan that prioritizes saving, such as the 50/30/20<sup>4</sup> Balanced Money Formula, which is a simple strategy that helps individuals get started budgeting by allocating their income to different categories effectively. According to this formula:**

50% for needs: Allocate 50% of your income to cover essential expenses, such as rent/loans, groceries, transportation, and other necessities.

30% for wants: Reserve 30% of your income for spending on non-essential items and activities, such as entertainment, vacations, and other personal preferences.

20% for savings: Save and invest 20% of your income to build an emergency fund or retirement savings.

<sup>3</sup> Kosovo Agency of Statistics, Results of the Budget Survey of Family Economies 2022, pg. 21  
<sup>4</sup> Warren, E., & Warren Tyagi, A. (2005). All Your Worth: The Ultimate Lifetime Money Plan



The 50/30/20 method can serve as a simple framework to help individuals maintain a balanced budget and financial stability. However, it is essential to adjust the percentages based on individual circumstances and goals.

This way you start building an emergency fund by gradually building this fund until you reach your desired goal. Set up automatic transfers from your

main bank account to your savings account on a regular basis (e.g. monthly). As your income increases on regular basis, so do your savings contributions.

Recognizing the importance of savings and emergency funds for the citizens of Kosovo, this article highlights some of the points towards financial sustainability. Through targeted strategies such as financial education, availa-

ble savings products and collaborative efforts with the Government, citizens of Kosovo can overcome challenges, build economic stability and achieve a secure future. By fostering a culture of savings and promoting inclusive financial systems, Kosovo can empower its citizens to manage the unexpected and contribute to the country's overall prosperity.



**DORELA BOÇI**  
REGULATORY COMPLIANCE SUPERVISOR  
ISBANK

## Importance of Financial Education at an Early Age

**F**inancial education at a young age is of great importance to a person's life, culture, well-being, and financial future. Understanding basic financial concepts and the ability to manage money is a life skill that must be learned, developed, and fostered from a young age and throughout life. Financial education is a new and constantly evolving theoretical field, and its quality also depends on the geographical features of the population, namely it is more present in the Western

world, because it is directly related to economic development and the well-being of the family as the nucleus of society in particular, as well as society and the State in general. Efforts have been and are constantly being made to find definitions and tips for the financial education of a person from a young age, so that later as an adult they are able to manage their income and finances, as well as those of the people around them, close to them, because the smaller the number of people without

financial problems, the less there are vulnerable people, crime and corruption, and other negative phenomena, and the more people with financial problems, the more there are vulnerable people, crime and corruption, and other negative phenomena in society. Financial education for children and youth, namely persons at a young age, includes, but is not limited to, knowledge about investments, payments, debt, savings, concepts for efficiency, optimization, and rationalization of expenses, and much more.



Under this topic, we have attempted to summarize some of the reasons why financial education at a young age is important, as follows:

# 1

### **Developing money management skills:**

By teaching children and youth how to manage money, they will not only develop sound financial conscience and awareness, as well as financial independence, but they will also learn to plan their budget, however small, to distinguish between necessary and unnecessary expenditures, adopt a wise approach, with vision and business sense, to purchases and investments.

# 2

### **Establishing and/or affecting the establishment of a strong foundation for personal finance:**

Financial education establishes and/or affects the establishment of a strong foundation for an individual's personal finance. This is because by giving children and youth knowledge about income, spending, investments, and debt, they will be more likely to make informed big and valuable financial choices in the future, such as buying a home, investing in retirement, scholarships, or even debt management, and the consequences and stresses that arise thereby. In fact, the latter may be the most important, considering the dynamics of human development that also impose quick decisions on borrowing, which may be risky for the borrower. Being in debt is not the end of the world. Even with debt, you can start over and consolidate financially.

# 3

### **Preventing and/or warning of future financial problems:**

Children and youth who have gained awareness of financial risks and challenges are more willing to follow good and sound financial practices and avoid bad decisions that may cause them difficulties and problems in the future. For example, they will not buy clearly questionable things on the market, such as mobile phones from street vendors, however cheap they may be, knowing they might be stolen or smuggled, or they will not buy or invest in real estate, especially they will not transfer funds for purchase, without making thorough checks in the land registry, bearing in mind that a piece of real estate may have been sold simultaneously to multiple buyers.

# 4

### **Raising awareness of investments and fiscal culture:**

Children and youth learn to distinguish and predict risky and safe investments, as well as the long-term value of investments. This can contribute to creating a mindset of slow but visionary steps that result in long-term, incremental, and sustainable wealth. Additionally, they shall demand and provide fiscal accountability if they aspire to become traders, because only a society of financial culture and discipline can prosper economically. Individual development is neither healthy nor long-term outside the context of societal development.

# 5

### **Creating and/or promoting healthy financial behaviors:**

Children and youth who learn the value of money, as well as the value of saving, investing, and using money responsibly, are likely to develop healthy relationships with money in particular and financial life in general.

The reasons why financial education for children and youth is important are completely abstract, unless we know how to materialize and contextualize them in the form of concrete tips that have been tried-and-tested over time as practical and useful. Therefore, we have humbly attempted to summarize, in the form of a practical manual, some tips in the context of the importance of financial education for children and youth, as follows.

- 1 EXPLANATION OF MONEY AND ITS VALUE:** The starting point of financial education is the simple and clear explanation given to the child or young person about the value of money, who produces it, what it is for, and how it works. Children and youth should receive a brief and clear explanation of banknotes, how they are used to buy products and services, but also about the risk of counterfeiting.
- 2 ENCOURAGING THE CHILD OR YOUNG PERSON TO CREATE A REAL OR TOKEN BUDGET:** Children and youth should be helped by their parents to create a simple budget 'independent from parents.' Specifically, how the money they have available, certainly pocket money given by parents, can and should be spent rationally and incrementally, e.g., for one week during school, giving them financial tasks and targets, but also giving them the autonomy to decide for themselves what to buy for food at the nearby store or at school or in the neighborhood, but explaining well that they have to spend proportionally so that they do not run out of money for even a single day.
- 3 ADVISING THE CHILD OR YOUNG PERSON ON HOW TO SHARE MONEY AND HOW TO MANAGE FAMILY FINANCES TOGETHER WITH OTHER FAMILY MEMBERS:** Children and youth person should be shown the concept of allocating money for spending (toys, candy, etc.), savings (piggybank for future purchases), and gift-giving (to help others). Also, the child or young person should be taught about wages, expenses, and bills due by the family, that is, about household income and expenditures, helping them understand how the household works as the nucleus of the society.
- 4 ADVISING THE CHILD OR YOUNG PERSON THAT WORK IS THE ONLY SECURE AND LONG-TERM SOURCE OF INCOME:** Children should be helped to earn pocket money by doing schoolwork or helping with household chores together with other family members. This helps them understand the value of their work and income, but also teamwork and that working together makes every task easier.
- 5 GRADUAL CONTINUATION OF FINANCIAL EDUCATION TOWARDS MORE ADVANCED CONCEPTS:** Once you are confident that the child or young person has properly understood points 1-5, then you may proceed to teach them more advanced concepts of financial education, including how to categorize expenses into reasonable and unreasonable, as well as about savings. Through open discussion, they can more easily understand the value of deliberate purchases or investments and avoid unnecessary expenditures or investments. They should be talked about investments in the sense of how to buy shares of well-known companies or develop a small project that can generate profits, or about aid from both the State and non-governmental and international organizations. Thus, they are taught and prepared to shoot for the stars, which is a premise for bold decisions.
- 6 OLDER CHILDREN SHOULD ALSO BE TAUGHT ABOUT PAYING TAXES AND NOT ONLY THAT:** Older children should be taught about the weight of taxes in society, that tax evasion or not paying taxes is not only a violation of the law and/or criminal offense, but also a moral crime, because it harms the country's economy and consequently all branches of the State system spanning from education to health, branches that deliver services that every family and every person needs.



Based on the above, proper financial education of children and youth can help them develop good money management habits and make informed financial decisions that could have a significant impact on their lives in the long term. Accordingly, children with financial skills developed from a young age are likely to make smart financial decisions as adults, leading them to greater financial independence and success. Financial education should be constant and depending on age change in intensity and form, meaning in kindergarten children can learn the basic concepts of money, savings, and budget allocation, then when children grow a little and start school, their financial education should advance proportionally and in accordance with their biological age in all the concepts discussed above, so that by high school they have a good and sound foundation in both personal and family finance that will prepare them for success in the future, for independent decisions about their future, such as choice of university, work, investments, etc.

However, for the financial education of children and youth to be

successful, many factors must contribute. Consequently, not only parents but also kindergarten teachers, and then schoolteachers are expected to contribute according to the curricula of pre-university teaching modules as well as through various interactive practices and activities related to

important financial concepts. Making financial education interactive and fun can help children become engaged and interested in learning about money and the other financial education concepts discussed in this topic.

Finally, all of the above are meaningless and do not achieve the right outcome if parents, who are ultimately the primary role model for their children, do not implement the above tips and do not act in pursuit of the goals of financial education. Therefore, children themselves must be responsible in managing money, the value of savings, and investments, in other words, engaging in sound financial behavior.

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Based on the above,  
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**MIRSAD HASKAJ**  
CHIEF RISK OFFICER  
NLB BANKA

# Risk Management in Function of Improving Performance of Credit Exposure

One of the primary activities of the banking system in Kosovo is the collection and custody of deposits in the market, granting loans to households, businesses, or other institutions (various publicly owned entities), as well as providing various payment services and transfers.

By virtue of its nature, the banking system holds a fundamental responsibility within an economy, playing a crucial role in national development and stability. In this context, a parallel is often drawn by illustrating the importance of the banking system with the network of blood vessels within the human body. This analogy highlights the vital role that the banking system plays in facilitating the efficient flow of financial resources and maintaining the overall prosperity of the economy. It is considered as one of the most regulated and stable systems in post-war Kosovo, featuring an international level regulation, a direct credit for such success must be attributed to oversight provided by institutions such as the Central Bank of Kosovo, but also the European Central Bank considering that some of the banks are affiliates of EU country parent entities.

Risk management is an ongoing procedure that includes the identification, assessment, and mitigation of potential risks. Its pro-active nature, by addressing such risks, helps minimize the likelihood of risk and its impact on the banking sector.

**Risk management is an ongoing procedure that includes the identification, assessment, and mitigation of potential risks. Its pro-active nature, by addressing such risks, helps minimize the likelihood of risk and its impact on the banking sector.**

Consequently, the advancement of the lending process is not only an essential topic now, but also evolves over time, occupying a prominent place in the daily activities of the credit risk management process.

For this purpose, a well-harmonized regulative framework between the risk strategy, risk appetite, risk profile and credit standards that respond to the bank's strategic orientation, based always on local economic specifics is more than necessary, which would fur-

ther contribute to the more successful credit risk management.

In this regard, banks must design high-level Risk Standards, which include a strong foundation for daily banking operations, based on strict but also on best practices that facilitate the organization, a clear distinguish structure between Risk function and Front, determine methodologies, limits, reporting system, and other procedures aimed to ensure effective governance and control in the field of risk management at the bank level.

Genuine standards for risk management should be comprehensive, but with a special focus on Credit Risk, Market and Interest Rate Risk, Liquidity Risk and Operational Risk, without overlooking the quality of data and accurate reporting, which further provide the basis for effective and consistent decision-making. These include collecting relevant and reliable information, objectively analyzing and interpreting data, considering potential risks and benefits, evaluating alternative options, and aligning decisions with long-term goals and values. Furthermore, the integration of critical thinking, sound judgment, and the incorporation of lessons learned from past experiences

## Obviously, a well-managed system must include certain important steps, such as:



**KYC** – the Know Your Customer standard is the fundamental process by which banks obtain information prior to deciding to bring potential customers on board, in terms of service and

product delivery. In order to enter into contractual relations with customers, the bank must have a clear picture of the potential customer.



**RISK PROFILE ANALYSIS**, which includes an examination of the structure of ownership and origin of capital, interdependence and

interconnection of customers, analysis of the industry and competition, etc.



**CUSTOMER FINANCIAL CAPACITY ANALYSIS**, a detailed assessment of the customer's financial capacity, in terms of both history and financial

projections, correlation of projections with the respective business industry, etc.



**LOAN AUTOMATION PROCESS INTRODUCTION**, while affecting the improvement of credit risk performance, it also boosts customer satisfaction in relation to banking services, which coincides with bank goals. Recent research shows that such processes based on "Fintech", have lower

failure rates than traditional ones. **"Artificial Intelligence (AI) has already been established as an inevitable banking orientation, especially in the process of household lending but also in the micro segment.**



**CUSTOMER VALUE PROPOSITION AND ADJUSTMENT**, by examining all key customer positions, including structure, business industry, financial capacity, and by taking into consideration all such aspects, it is easier to proof a decision on the most suitable product for the customer, which should always be adequate to the customer's nature of business and purpose. In this environment, the bank must also play the role

of the customer's advisor, not only by providing direction to the most suitable products that correspond to the customer's nature of business or activity, but also by cautioning of the risks that the customer may encounter in the future arising from the applied business model, as well as the measures that should be taken for deterrence, up to recommendations for exiting from the activities or contracts that carry high risk for the customer.



**MONITORING** - also represents one of the exceptionally important steps for the successful management of the lending process with the

aim of successful credit risk management, from monitoring how approved products are leveraged to preventing customer difficulties.

contribute to increasing the quality and consistency of decision-making.

Management and advancement of the lending process is of special importance as a process which differs both in terms of its size and structure but yet aims to achieve a stable and sound performance in terms of credit risk.

Installing an Early Warning System and applying Stress Tests that correspond to the bank's profile are two necessary approaches to the success-

ful management of credit risk performance, by introducing a monitoring system that allows the identification, analysis and timely handling of customer issues, where as a result of detailed analysis the bank always aims to propose the necessary steps that facilitate overcoming customer difficulties, while observing the applicable rules.

On the other hand, monitoring does not only mean identifying the customer's difficulties, but also their

opportunities. Not infrequently, customers already exposed to the bank, miss various opportunities to enhance their capacity, thinking that they have leveraged and exhausted the available opportunities for access to finance, therefore close monitoring and discussion with the customer, in addition to the deterrent effect and identification of issues, also represents a chance to introduce new opportunities and approaches to the customer.



**TEUTA ABDULLAHU**  
HEAD OF HUMAN RESOURCES DEPARTMENT  
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## Financial Planning for Different Stages of Life: Studies, Marriage, Parenthood and Retirement

Life is a masterpiece composed of diverse moments, each woven together to create a tapestry of experiences that shape our identities and aspirations. Amidst this intricate fabric, financial planning emerges as the unifying thread, seamlessly binding these moments and guiding us through the labyrinthine challenges and promising opportunities that characterize every phase of life. From the exuberance of youth to the contemplative tranquility of retirement, the practice of meticulous financial planning serves as a steadfast compass, steering us

toward a future that is both secure and prosperous. In this exploration, we embark on a journey through the canvas of life, unveiling the artistry of financial planning across its various stages: education, marriage, parenthood, and retirement. Each stage presents its canvas, awaiting the brushstrokes of strategic financial decisions that empower us to make the most of every chapter.

### Financial Planning for Education

The pursuit of knowledge is a commendable journey, but one often ac-

companied by hefty price tags. Effective financial planning can help mitigate the financial hurdles that come with higher education:

**Scholarships and Grants:** The realm of scholarships and grants is rich and diverse, offering opportunities to lessen the financial load. By actively seeking out these resources, students can tap into financial aid that aligns with their passions and pursuits.

**Budgeting:** Creating a comprehensive budget is a fundamental skill for any student. Factor in tuition, books, accommodations, and daily expenses, and ensure your budget accounts

for both essential and discretionary spending. **Student Loans:** If borrowing is necessary, approach student loans strategically. Research different options, analyze interest rates, and have a clear understanding of repayment terms to minimize the long-term financial impact.

### Financial Planning for Marriage

The union of two individuals is not just a joining of hearts but also a blending of financial aspirations. Navigating this stage requires a delicate balance of communication and shared financial strategies:

**Transparent Communication:** Open conversations about financial goals, expectations, and habits are paramount for a harmonious financial partnership. Honesty can help align both partners' visions for their shared future.

**Joint or Separate Finances:** Determining whether to merge finances, keep them separate, or adopt a combination of both depends on personal preferences and financial circumstances. It's important to find an approach that suits your dynamics.

**Budgeting and Saving:** Crafting a joint budget that encompasses living expenses, savings goals, and individual spending can lay the groundwork for financial success. Regularly revisit and revise the budget as life evolves.

**Insurance and Estate Planning:** Updating insurance policies, such as health and life insurance, and setting up or revising estate plans ensure that your financial affairs are aligned with your relationship's present and future.



### Financial Planning for Parenthood

Welcoming a child into our lives brings immense joy, but also increased financial responsibility. Planning for parenthood involves meticulous preparation to provide a secure foundation for your growing family:

**Budget Adjustments:** Parenthood necessitates reevaluating your budget to incorporate new expenses like childcare, education, and healthcare. Adapting your budget helps accommodate the evolving needs of your family.

**Education Funds:** It's never too

early to start planning for your child's education. Investigate options like education savings accounts, such as 529 plans, to ensure you're prepared for the future.

**Emergency Fund:** Building and maintaining an emergency fund acts as a financial safety net, providing peace of mind in the face of unforeseen expenses or emergencies.

**Insurance Coverage:** As your family grows, ensure that your insurance coverage adequately protects your loved ones, including life insurance, health insurance, and disability coverage.



### Financial Planning for Retirement

Retirement offers the promise of relaxation, but planning for it is far from a passive pursuit. Strategic financial planning can ensure that

your golden years are indeed golden:

**Retirement Savings:** Regularly contributing to retirement accounts like 401(k)s and IRAs is crucial. Taking advantage of employer contributions

and maximizing tax-advantaged options can significantly bolster your retirement funds.

**Diversified Investments:** Crafting a diversified investment portfolio tailored to your risk tolerance and retirement timeline can help balance growth and security. Reassess and rebalance periodically as circumstances evolve.

**Healthcare Costs:** Factoring potential healthcare expenses into your retirement plan is essential. Understanding Medicare options and considering long-term care insurance helps safeguard your well-being in retirement.

**Estate Planning:** Developing a comprehensive estate plan, complete with wills, trusts, and power of attorney documents, ensures that your wishes are honored and your legacy protected.

Life is a journey marked by distinct stages, each presenting its unique blend of challenges and rewards. Through financial planning, we equip ourselves to traverse this journey with grace and purpose.

Whether it's embarking on a path of education, uniting in marriage, embracing parenthood, or savoring retirement, the art of financial planning is our constant companion. It empowers us to make informed decisions, conquer obstacles, and relish life's most cherished moments.

As we embark on this lifelong voyage, let us navigate with the wisdom that financial planning is not just a means to an end, but a source of empowerment that enriches every chapter of our lives.



**VISAR VOKRRI**  
PROGRAM DIRECTOR,  
RIINVEST INSTITUTE

Financial well-being is a dynamic concept that evolves over time based on individual circumstances, life stage, and economic conditions. The chapter on Financial Well-Being: Money Planning and Management concludes with the interview of Visar Vokrri, who talked to us about the importance of financial planning and money management, facing economic challenges, investment, financial literacy, and at the same time shared with us strategies and tips for making informed financial decisions.

**V**okrri tells us that similar to the business world, personal financial planning is the process of setting and achieving specific financial goals taking into account an individual's current financial situation, aspirations, and certainly risk tolerance.

"It is an essential aspect of the overall life planning because it helps individuals manage their finances wisely, make informed decisions, and work towards achieving their long-term goals. In other words, financial planning helps individuals define and prioritize their financial goals, such as buying a property, financing education, or even starting a business. As such, it constitutes a guide for achieving such

goals by outlining the necessary steps and resources," says Vokrri.

Further, he tells us that creating an effective financial plan involves several key steps:

"To create an effective financial plan, individuals may use different strategies and tools. Firstly, it is essential to define the financial objectives clearly and specifically. Next, individuals as economic agents must have complete information about their existing financial situation. Only after they are equipped with this knowledge they can proceed and develop a financial strategy, familiarize themselves with different financial tools, including savings or investment opportunities. To ensure sustainable commitment and





**“Developing good financial habits and a proactive approach to financial planning are key aspects to successful money management.”**

precise implementation of investment goals, automation of various aspects of the financial plan should be considered where possible.”

Vokrri also notes that seeking assistance from professionals or experts is essential to fine tune and adapt the financial plan as needed and ensure successful implementation. In addition, we must bear in mind that life circumstances and financial goals change over time, so it is essential that the

financial plan is systematically updated to ensure that it is in line with current situations and objectives.

Managing finances can be quite challenging. Individuals often struggle with overspending, insufficient savings, lack of financial knowledge, or even failure to stick to a planned budget. Therefore, Vokrri advises that to overcome such challenges, individuals should first of all practice disciplined budgeting, give priority

to savings, educate themselves about personal finance, use tools for tracking expenses, as well as consider the guidance of financial experts.

“Developing good financial habits and a proactive approach to financial planning are key aspects to successful money management.”

Next, Vokrri shares some strategies, which if integrated lead to making well-informed investment decisions that contribute to long-term growth of wealth:

“Individuals can make informed investment decisions that promote wealth growth by adhering to a few key principles. Firstly, they must set clear financial goals that pave the way for their investments. Understanding personal risk tolerance is also essential to choosing investment options. Additionally, diversifying investments across different asset categories helps mitigate risk and optimize potential returns. Further, education plays a vital role – gaining insights about investment alternatives, markets, and basic financial concepts ensures better decision making. Taking into consideration the time horizon of investments, whether short-term or long-term, is imperative for choosing appropriate strategies. In this context, seeking advice from financial professionals is recommended as they can provide personalized guidance tailored to individual circumstances. Emotional discipline is critical; avoiding ill-considered reactions to market fluctuations maintains long-term focus. Assessing investment performance, learning from mistakes, and periodically reassessing financial goals ensure continuous alignment.”

Another challenge we continuously face is debt. Effective debt management requires a strategic combination of tactics and approaches to regain

control over financial obligations, and Vokrri tells us that a simple and effective approach includes creating a comprehensive overview of all existing debt, balance listing, interest rates, and a dynamic payment plan. With this clear overview individuals can consolidate and also prioritize their debt based on their financial implications (e.g., interest rates, potential penalties, etc.) and consequently develop a focused strategy, he says.

In addition to the above method, he shares with us other useful strategies for indebted persons.”

“The snowball method entails paying off the smallest debt balance first and may provide psychological satisfaction and motivation. Conversely, the avalanche method requires a calculated approach to paying off debt with greater implications or highest interest first, consequently resulting in long-term savings. Whichever method is chosen, it is essential to set aside a portion of the budget for debt repayment while maintaining basic expenses. Another important strategy involves negotiation and optimization. Contacting creditors to negotiate payment plans or even interest rates can significantly lower the cost of debt over time. Debt consolidation or refinancing may be possible options to simplify multiple payments or secure lower interest rates. Along with these strategies, nurturing a debt-free mindset is just as important. Adopting a long-term perspective and committing to disciplined repayment habits can drive progress and ultimately lead to a debt-free financial future.”

Another component that plays a key role in increasing overall financial well-being is financial literacy because it equips individuals with



the knowledge and skills needed to make informed financial decisions.

Accordingly, this type of education equips economic agents with an understanding of basic concepts such as budgeting, saving, investment, and debt management, Vokrri says.

**“These kinds of insights allow them to set realistic financial goals, create effective budget plans, and allocate resources strategically. By understanding how different financial instruments work, individuals can make informed investment decisions consistent with their risk tolerance and goals, promoting wealth accumulation over time. Financial literacy also addresses important aspects such as responsible debt management, using credit wisely, and planning for retirement, promoting financial stability and security throughout life. Ultimately, financial literacy allows individuals to take control of their financial future, make safe choices, and navigate complex financial systems with greater confidence and resilience.”**

Unforeseen expenses are another challenge that we may face during our lifetime. In such cases, it is important to have a financial safety net, such as emergency funds. These funds provide peace of mind and financial security in times of crisis; they function as a buffer against unexpected medical expenses, job loss, or even major repairs, preventing individuals or households from going into debt or compromising their long-term financial goals, says Vokrri.

Finally, Vokrri shares with us some tips on how to protect emergency funds from potential risks such as inflation or market fluctuations, saying that individuals should apply careful strategies:

“Firstly, it is recommended to keep emergency funds in a liquid and easily accessible account, such as a saving account.

While such accounts may offer lower interest rates compared to other investment alternatives, their main purpose is to preserve capital and allow quick access in emergency situations.

Secondly, individuals should consider diversifying their emergency fund across different types of accounts. While keeping a portion in traditional savings accounts, they could explore high-yield savings accounts or term deposits.

Such options may provide slightly higher returns while still providing liquidity and are relatively low risk. Additionally, to mitigate the impact of inflation, individuals could periodically review and adjust the size of their emergency fund to internalize the implications of rising living costs. This ensures that the fund holds its real value over time.”

## EXPERTS CORNER



**ENEIDA THOMAJ**  
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## Payment digitalization and their impact toward financial stability



**D**uring the pandemic positive trends were observed regarding the payment ecosystem. Consumer behavior was radically changed. More clients were performing online transactions for their monthly family expenses. Most of them were registered in their bank's wallets where they could easily administer their personal finances. As observed, debit cards are the favorite payment method. The article "5 reasons merchants see Debit as top of mind for in store sales" published from Payments Journal on 17th of March 2023, confirms that according to a study performed from Discover Global Network, 54% of merchants agree that debit cards are the main payment method used from their customers. The latter was mainly possible as debit cards are easy to use and offer financial control for customers. The same study shows that 66% of customers have registered their debit cards in their mobile wallet

application. As noted, customers are combining payment instruments with which they feel comfortable with new digital solution aiming optimization and financial control.

In the meantime, the buy now pay later functionality (continuing BNPL) added to credit cards highly impacted their usage, turning credit cards into the sensation of the moment. According to the Global Consumer Payment Survey, published by Accenture, it is expected that BNPL service to be doubled in usage for online payments in the next three years. Regardless of the impact in increasing noncash payments, BNPL service needed to be regulated in specific countries since a higher exposure was observed due to usage of BNPL for monthly family expenses. Some countries (such as Australia, according to The Fintech Times published on 25th May 2023, where the Australian government announced that BNPL will be regulated as a credit product to increase transparency toward end customers) were quite rigorous by implementing legislations that would treat BNPL functionality in the payment ecosystem as a credit product. All of these changes gave the impression that as of now the payment market was consolidated in using payment methods and that their usage would be stable in long term even after the pandemic was over. But what are the tendencies as of now? How is the market responding to consumer behavioral changes and technological and regulatory changes?

It is true that trends in a specific payment market or local market are impacted from respective consumer behaviors. As such, by the end of 2022, according to Bank of Albania statistics, the card payment number was around 1.37 million cards (with an annual increase of 3.8%), out of which 1.18 million were Debit cards (with an annual increase of 4.3%) confirming so that Debit cards are the favorite payment

As such, by the end of 2022, according to Bank of Albania statistics, the card payment number was around

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**1.18 million**

Debit cards (with an annual increase of 4.3%) confirming so that Debit cards are the favorite payment instrument in Albania (Monitor, April 2023).

According to Central Bank of Kosovo statistics, by the end of 2022, the payment card number was

**1.52 million**

(with an annual increase of 2.6%). What can be observed for the same period is that debit cards have increased by 2.6% meanwhile credit cards have increased annually by 2.9%.

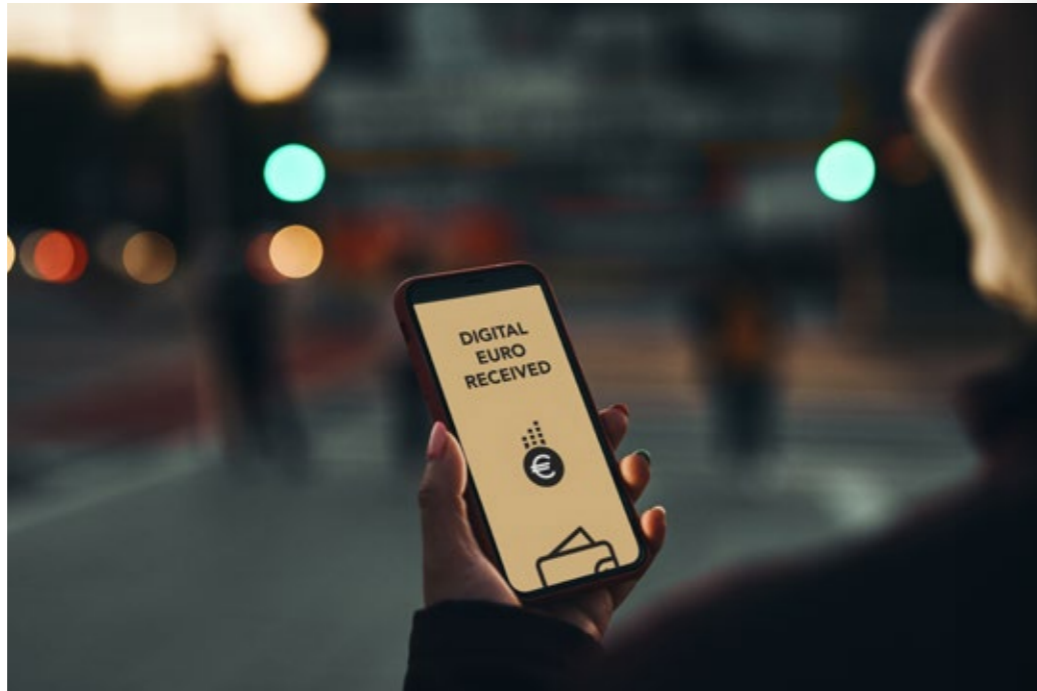
instrument in Albania (Monitor, April 2023). According to Central Bank of Kosovo statistics, by the end of 2022, the payment card number was 1.52 million

(with an annual increase of 2.6%). What can be observed for the same period is that debit cards have increased by 2.6% meanwhile credit cards have increased annually by 2.9%. The same report confirms that the high number of internet users in Kosovo, and also the increase of payment cards have both impacted in online payments increase ("Payment Cards usage in Kosovo", Central Bank of Kosovo, June 2023) emphasizing so a different consumer behavior where credit cards are the favorite payment instrument in this market.

The article published from ThePayers on 22nd of May 2023 "What drives European Digital Banking", notes that from a survey done from ECB, 43% of the projects from EU banks aim to increase "User Experience", and 83% of banks aims to reduce costs through technological innovation. User experience is one of the main indicators that banks/payment institutions need to have at high scores. This indicator is closely linked with customer loyalty and long-term relationship. A good customer experience is associated not only to ease of use of the payment instrument but also with the security that it offers. As per the latter, banks or other payment providers have increased their investments regarding security level for their services (for both services implemented by internal resources or outsourced to third specialized parties). Investments in security have impacted costs for payment channels, costs which are not preferred to be pushed toward end customers. The increase of costs due to technology innovation or mandatory/ regulatory changes (on 28th of June 2023, the European Commission notified the proposal for the review of the Payment Services Directive PSD2 into PSD3, to aim minimizing payment frauds and increase of consumers transparency – EU Press Corner, 28th June 2023) accompanied also with the

increase of the cost of living in general (the increase of basic products prices) has upgraded the intuition of payment institution to find alternative acceptable payment methods in minimizing costs and achieving financial stability.

We in PayLink have observed several demands from the market which clearly show the intention to achieve technological innovation associated with cost optimization. For example, the market recently is demanding to switch from pin via sms to pin via api (mobile application) that payment institutions own. This trend is happening since sms costs and infrastructure maintenance are optimized in the scenario of pin delivered through mobile application. Also, following the second scenario, payment institutions are aiming to switch their customer base in a digital payment channel where the software and infrastructure solution are already in a certified environment where there is no need for additional investments. The local market more and more is demanding the implementation of local schemas (offering payment options in a chain of specific merchants). Usually in such cases the merchants in collaboration with payment institutions are issuing co-brand cards with specific benefits in the implemented schema. Payment institutions have observed that cards being used in local markets, under a local schema, have lower processing costs and offer the advantage of being used on a massive level. Local schemas, being part of a National Switch, offer the facility of lowering card processing costs. Alike schemas can be upgraded to a further level by being intraregional. One success story of such a case where different countries agreed to be united under one intraregional Switch that can be named is the UAE Switch “United Arab Emirates” (a switch where all the ATMs of the participating countries of the Gulf Cooperation Council are opera-



ting, and they actually are in the process of integrating in this Switch also the POS share solution).

Having as their main concern cost optimization, payment institutions are offering solutions which minimize the



We in  
**PayLink**

**have observed several demands from the market which clearly show the intention to achieve technological innovation associated with cost optimization. For example, the market recently is demanding to switch from pin via sms to pin via api (mobile application) that payment institutions own.**

plastic cost of payment cards. Solutions like virtual cards with one time usage (which give more security to be used online, and not exposing the main card that a client has) or payment cards with combined functions in it (offering mutual characteristics of credit cards, prepaid or debit), have incentivize the demand for more digital solutions that we as PayLink are offering.

What the market is demanding, and that payment institutions are responding to are new digital payment channels with minimized costs. These solutions are beneficial not only to end customers but also for payment institutions. The future ahead is full of new impressive investments (example, international payment schemas partnering with specialized third parties are offering “in-car-payments”, to pay for gas and alike products from the car seat, giving the opportunity for such solutions to be the new normality in the future) and mandatory regulations to be implemented for of which all of us should be prepared to benefit and maintain financial stability.

## EXPERTS CORNER

# “Empower Finance” Campaign: Transforming Financial Literacy and Inclusion in Kosovo Through Collaboration of two strong partners:

the Kosovo Banking Association (KBA), in partnership with Deutsche Sparkassenstiftung für internationale Kooperation in Kosovo (DSIK Kosovo)

In a groundbreaking stride towards economic empowerment, the Kosovo Banking Association (KBA), in partnership with Deutsche Sparkassenstiftung für internationale Kooperation in Kosovo (DSIK Kosovo), have launched the “Empower Finance” Campaign. By uniting their expertise and resources, both organizations aim to foster financial inclusion and economic empowerment for individuals and communities across Kosovo. Rooted in the belief that access to financial services is a fundamental human right, this campaign seeks to break down barriers, bridge disparities, and empower individuals and marginalized communities to take control of their financial futures

and look for a better future through adequate financial education.

This collaborative effort reflects a shared commitment to equipping individuals and communities with the knowledge and resources needed to navigate the complexities of the financial world.

Recognizing that a solid understanding of financial principles is crucial for personal and community well-being, the program offers a diverse range of educational resources and workshops. These sessions cover essential topics such as saving, personal finance, budgeting, and responsible borrowing. By equipping individuals with the tools to make informed

financial decisions, the messages spread by the “Empower Finance” campaign seek to fortify the economic foundations of communities across Kosovo.

In the quality of the main partner, DSIK Kosovo will be offering its contribution by making use of its longstanding expertise and experience in several significant components of the “Empower Finance” campaign. DSIK Kosovo will support the Kosovo Banking Association team in the process of campaign conceptualization by involving the local and international professional advice in regard to the content development and thereafter the implementation of the campaign.

DSIK Kosovo national experts will oversee the Campaign training component by actively being engaged in organizing workshops and seminars related to financial and green education topics throughout Kosovo. Earlier this year, DSIK Kosovo successfully organized the savings Game ToT programme with the representation of several different financial institutions and partner organizations in the country. As a result, about 12 trainers are well coached and ready

to deliver the Savings Game training for the next three months aiming to narrow the financial education gap of the youngsters, microbusiness owners, farmers, women in business etc. DSIK Kosovo will also take care of the Campaign presence on the social media platforms by updating the respective channels not only with the training related activities, but also with some short and relevant financial education advice.

**German Sparkassenstiftung Kosovo operates within the framework of the Deutsche Sparkassenstiftung für internationale Kooperation in Bonn, Germany.**

DSIK is the development-policy arm of the Sparkassen-Finanzgruppe and is an implementing agency for the German Federal Ministry for Economic Cooperation and Development (BMZ). Its task is to disseminate the successful Sparkas-

sen model across regional borders and around the globe and aims to increase access, usage, and quality of financial services worldwide.

**Think globally, act locally, cooperate internationally**

Sparkassen were set up in Germany more than 200 years ago as micro-finance institutions for low-income earners. Since then, they have grown into one of the largest financial groups

in the world – one that successfully combines outstanding professionalism with a strong social mandate.

**DSIK provides proactive support to financial institutions that sustainably foster economic and social development at the local, regional, or national level through needs-oriented banking services and vocational training. The goal is to assist its partner institutions to become more professional and therefore able to give their customers permanent access to financial services. The main target groups are small and medium-sized enterprises (SMEs), as well as poor and socially marginalized groups.**

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**“DSIK Kosovo national experts will oversee the Campaign training component by actively being engaged in organizing workshops and seminars related to financial and green education topics throughout Kosovo”.**

**Business Games  
A success model blazes  
a trail around the world**

Business Games made by DSIK have become an international brand for an innovative interactive learning experien-

ce. Interaction, practical exercise, and the motivation to finish the game as the winner leads to high learning success. Vast demand and strong experience in many countries around the world as well as highly satisfied participants

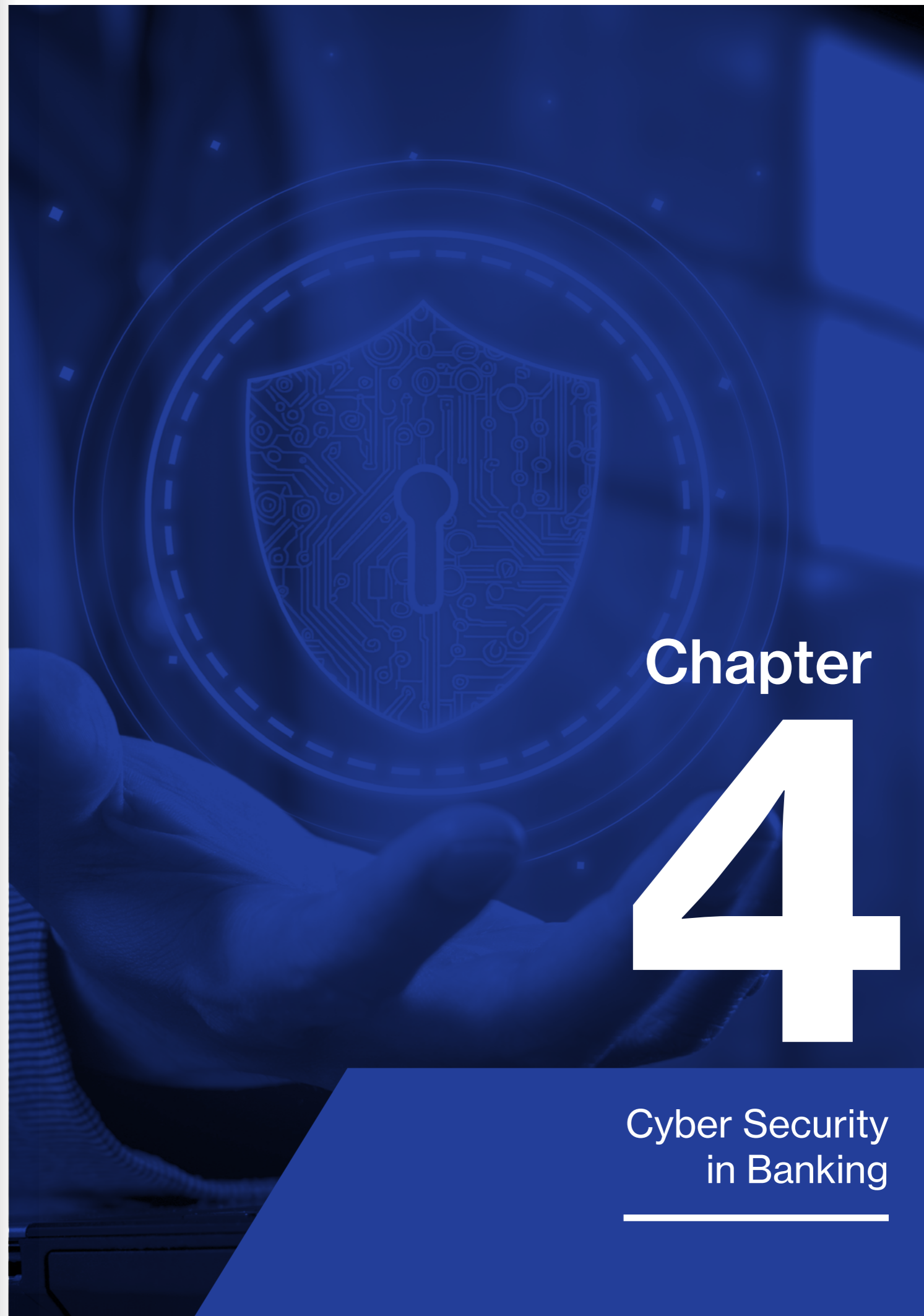
are convincing proof of the success and the added value of the Business Games. In Kosovo, the “Savings Game” will be used in the framework of “Empower Finance” – helping people to learn how to better manage their personal finances.

**A better future through financial education. Deutsche Sparkassenstiftung für internationale Kooperation in Balkans.**

DSIK entered the Balkans in 2020, starting its impactful journey in Albania and then expanding to North Macedonia. The project’s focus was on strengthening financial education and financial literacy, which were identified as essential tools for addressing the developing situation, demography, and future of Albania. In 2023, DSIK has extended its efforts to Kosovo, amplifying its mission to promote financial literacy and inclusion across the region. DSIK Kosovo has recently initiated collaborations with local partners in Kosovo and has successfully conducted a series of training sessions. Partnering with the Kosovo Banking Association, DSIK is gearing up for the ‘Empower Finance’ campaign, a targeted effort to boost financial literacy and inclusion in Kosovo.

**A Shared Vision,  
A Collective Impact**

The synergy between the KBA and DSIK Kosovo is emblematic of a shared vision for a financially empowered Kosovo. Through their concerted efforts, these organizations are not only imparting essential financial knowledge but also sowing the seeds for a more inclusive and prosperous future. As DSIK brings its global expertise to the table, the “Empower Finance” initiative gains even greater momentum in its mission to transform lives through financial education and empowerment.



Chapter

4

Cyber Security  
in Banking





**AGIM AHMETI**  
INFORMATION SECURITY EXPERT  
RAIFFEISEN BANK KOSOVA

# Advanced Cybersecurity Mechanisms in Banking Institutions



## Introduction

As banking institutions continue to embrace the digital era, the need for robust cybersecurity measures becomes paramount. The rise of cyber threats has forced these institutions to adopt advanced security mechanisms to protect sensitive customer data, prevent fraud, and uphold the integrity of financial transactions. In this article, we will explore some of the most effective cybersecurity mechanisms employed by banking institutions to fortify their defenses against evolving threats.

## The Power of Multi-Factor Authentication:

In an age of increasingly sophisticated cyber-attacks, traditional password-based security is no longer sufficient. Banking institutions now employ multi-factor authentication (MFA) systems that combine two or more independent authentication factors. By using a combination of passwords, biometrics, security tokens, or mobile devices, MFA adds an extra layer of security. This approach minimizes the risk of unauthorized account access, reducing the likelihood of identity theft and financial fraud.

## The Role of Advanced Encryption:

To protect sensitive data both in transit and at rest, banking institutions leverage advanced encryption techniques. These methods involve converting data into an unreadable cipher, rendering it useless to unauthorized individuals. Secure Sockets Layer/Transport Layer Security (SSL/TLS) protocols are commonly employed to encrypt data transmitted over networks, while end-to-end encryption ensures data remains secure throughout the entire communication process. Advanced encryption mechanisms effectively mitigate the risk of data breaches and unauthorized access to customer information.

## Safeguarding Networks with Intrusion Detection and Prevention Systems

Intrusion Detection and Prevention Systems (IDPS) play a critical role in protecting banking networks. These systems continuously monitor network traffic and system activities, detecting any suspicious or malicious behavior. By analyzing network patterns and utilizing real-time threat

intelligence, IDPS can swiftly identify and mitigate emerging cyber threats. The integration of machine learning and artificial intelligence further enhances IDPS capabilities, allowing for the identification of new attack techniques and the prevention of potential breaches.



## Enhancing Security with Security Information and Event Management (SIEM)

To ensure comprehensive visibility into their security infrastructure, banking institutions rely on Security Information and Event Management (SIEM) solutions. SIEM systems collect and analyze security event logs from various sources, such as network devices, servers, and applications. By centralizing and analyzing this information, SIEM helps identify potential security incidents, provide real-time alerts, and facilitate prompt incident response. Moreover, SIEM solutions aid in compliance with regulatory requirements and enable detailed forensic analysis during security incident investigations.

## Leveraging Behavioral Analytics and Machine Learning

The advent of behavioral analytics and machine learning technologies has revolutionized cybersecurity in banking institutions. By establishing baseline behavior patterns for users, these systems can detect anomalies that may indicate fraudulent activities or compromised accounts. Machine learning algorithms analyze vast amounts of data to identify patterns, generate risk scores, and proactively respond to potential threats. Such advanced systems also contribute to enhanced fraud detection by identifying patterns across multiple accounts and detecting unusual transaction behaviors.

## Conclusion:

As the digital landscape continues to evolve, banking institutions must remain proactive in their approach to cybersecurity. By implementing advanced cybersecurity mechanisms, including multi-factor authentication, advanced encryption, intrusion detection and prevention systems, security information and event management solutions, as well as behavioral analytics and machine learning, these institutions can safeguard their customers' financial assets, maintain trust, and protect the integrity of financial systems. The commitment to robust cybersecurity measures ensures a secure banking environment in an increasingly interconnected world.



**ERTAN ILIAZ**  
CHIEF OF INFORMATION SECURITY OFFICER  
ISBANK KOSOVA

## Awareness of cyber security and data protection among employees and customers

To cover many topics on a subject, it is important to understand the seriousness of the situation in the present day. As a result, it is crucial to refresh our memory about what occurred in the past years;

During the pandemic years, a data breach occurred in Kosovo following an international cyberattack and the subsequent targeting of a bank in Kosovo.

In the following years (2021-2022), after a cyber-attack in our neighboring country Albania, the cyber-incident made history as the first known country (AL-IRI) to sever diplomatic ties over a cyberattack. This was a situation that caused tensions between the two countries and at the international level.

In February 2022, the Ministry of Interior in Kosovo confirmed that phishing cyberattacks had targeted public institutions in the country. The institutions received an email that appeared to be from an official institution of the state, bank, or other company, requesting that they click on a link to a website within the email.

Unfortunately, in 2023 cybercrime actors are attacking constantly to Kosovo bank customers through social media, mail phishing using Kosovo bank names.

During the first six months of 2023 on social media platforms such as Facebook, Twitter, and Instagram, 1270 fake accounts have been discovered in the name of fake bank accounts that work to deceive our citizens. Every fake profi-

le has been identified and reported and stopped for their actions. But bad actors are constantly changing their tactics and becoming more sophisticated in their attacks. Cyber attackers often use the names of banks and then request money transfers through micro financial institutions, such as Western Union. Business leaders can no longer solely rely on out-of-the-box cybersecurity solutions like antivirus software and firewalls, as cybercriminals are getting smarter and their tactics are becoming more resilient to conventional cyber defenses.

Here are some points to consider in order to have a clear understanding of awareness of cyber security and data protection among employees and customers.

**“..During the first six months of 2023 on social media platforms such as Facebook, Twitter, and Instagram, 1270 fake accounts have been discovered in the name of fake bank accounts that work to deceive our citizens...”**



### The Role of Employees in Cyberspace

Employees play a critical role as the first line of defense against cyber threats. Their actions and awareness significantly impact an organization's cybersecurity posture. When employees can identify potential risks, follow best practices, and receive regular cybersecurity training, they become valuable assets in protecting sensitive data and reducing the impact of cyber threats.

### The Role of Senior-level Members and employee Training and Education

Now Senior-level members should make it a priority to conduct security awareness programs that are engaging

and effective in order to enhance cybersecurity throughout the organization. Emphasize the importance of personalized training that addresses specific roles and risks. Implement interactive workshops, simulated phishing exercises, and real-world examples to make the training relatable and memorable. Regularly measure and evaluate the program's effectiveness to identify areas for improvement. Promote a culture of cybersecurity vigilance to empower employees in safeguarding sensitive information and mitigating cyber threats.

### Transparent Communication

Transparent communication about cybersecurity incidents and data breaches is crucial to maintaining trust with customers and stakeholders. Timely and honest disclosure demonstrates accountability and enables affected parties to take necessary precautions. Such open communication fosters a sense of security and strengthens the organization's reputation in the face of cyber threats.

### Empowering Customers with Cybersecurity Tools

Empowering customers with cybersecurity tools is essential in today's digital landscape. Resources like multi-factor

authentication, strong password guidelines, and encryption options enable customers to actively protect their sensitive data. Educating them about potential risks and offering easy-to-use security features empowers individuals to take control of their online security and safeguard their personal information.

### The Impact of Customer Data Breaches

Customer data breaches have far-reaching consequences for both businesses and individuals. When sensitive information falls into the wrong hands, it can lead to identity theft, financial fraud, and reputational damage.

#### Real-life example:

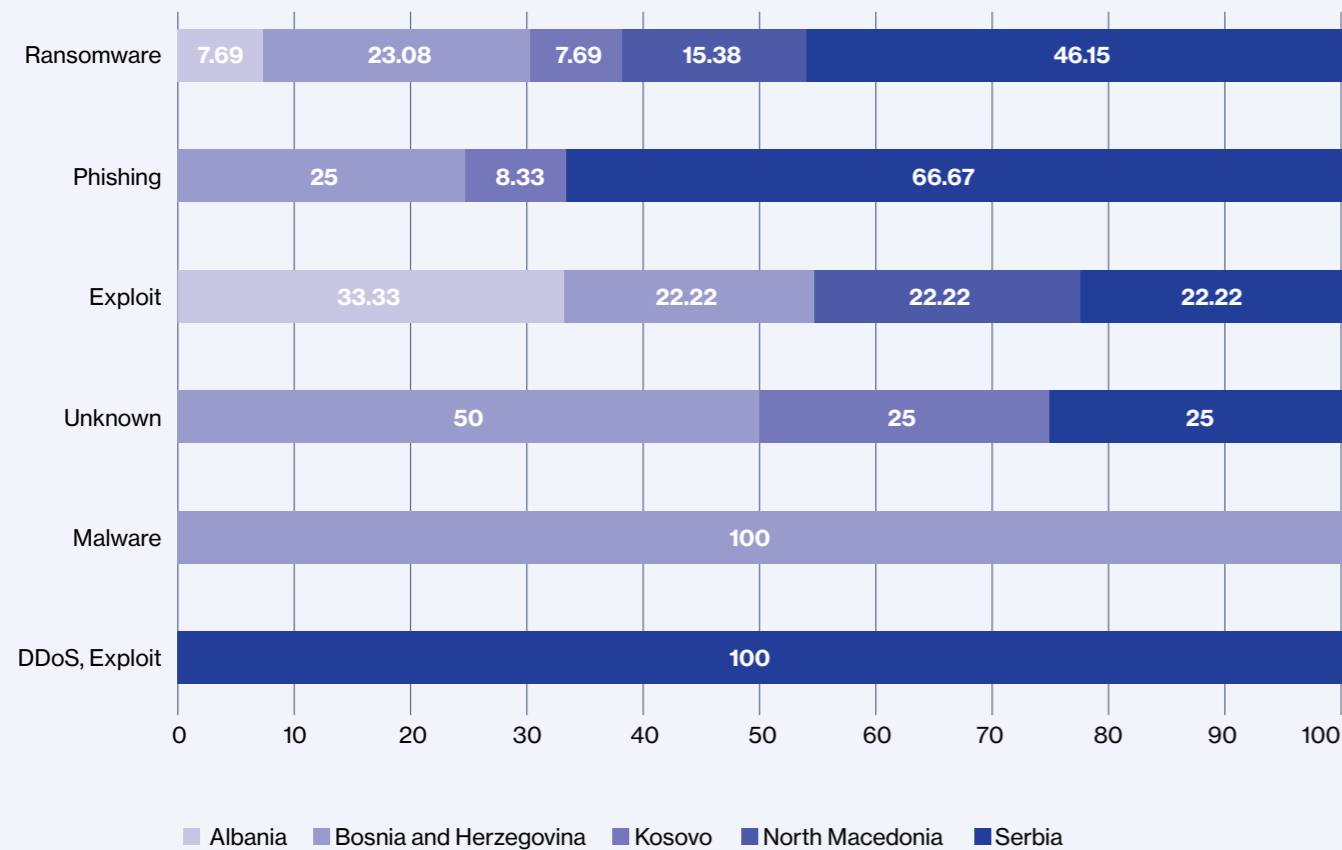
In September 2022, a data breach in Albania had far-reaching consequences for Albanian citizens. Public institutions in Albania have been failing to protect the personal data of their citizens. Homeland Justice published on its Telegram channel a **47-page** document of stolen data. The file contained personal identifying information as well as records of the border crossings of the former general director of the State Police of Albania.

In response to a series of cyber-attacks, Kosovo's government proposed the establishment of an Agency for Cyber-Security in 2023. These in-

cidents underscore the importance of robust cybersecurity protocols to safeguard customer information, maintain trust, and protect businesses

from legal and financial repercussions arising from data breaches. Check percentage breakdown of attack types by Balkan countries.

Type of attack per country in per cents (<https://balkaninsight.com/>)



### Regular Security Assessments and Audits

Continuous monitoring and improvement through regular security assessments and audits play a vital role in enhancing data protection measures. By constantly evaluating the organization's cybersecurity posture, potential vulnerabilities can be identified and addressed proactively. This iterative approach

strengthens data protection, enabling businesses to stay one step ahead of evolving cyber threats and safeguard sensitive information effectively.

### What next

Banks can collaborate with the private sector and the government to conduct public awareness campaigns on the importance of cyberspace and safe

internet usage. This will help customers become aware of the risks associated with using the internet without proper knowledge. Investing in cybersecurity and data protection education is crucial, especially among customers, and can be done through formal and non-formal programs.

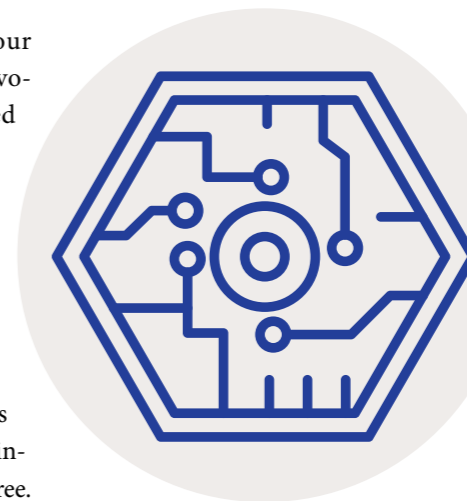


**ARBNOR IMERI**  
SENIOR SPECIALIST OF INFORMATION SECURITY  
PROCREDIT BANK

## Why cyber security is critical for banks and financial institutions?

(Focus in Kosovo)

The world has faced four stages of industrial revolution that transformed the global system. The fourth industrial revolution, referred to as cyber-physical, is the successor of the digital revolution, which combines cutting edge technology disciplines. In his book "The Fourth Industrial Revolution", prof. Klaus Schwab describes the difference between the fourth industrial revolution and the other three. According to him, the cyber-physical revolution includes new technologies that combine physical, digital, and biological worlds. Therefore, the impact of these innovative technologies on society is wide and inevitable due to their potential of influencing our lives in



terms of communication, finance, industry, business efficiency, health, transportation, and the like. Referring to this interconnection between the real and cyber world, different concerns are raised regarding security issues related

to the cyber world and their potential spillover in the real world. Moreover, as organizations are moving towards acquiring and using new technologies in their day-to-day work, they are faced with various cyber threats and attacks that they are not always prepared to handle. Analyzing some of the biggest cyberattacks in history, such as "NotPetya (2017)", "WannaCry (2017)", "Solarwinds (2020)" and lastly various news regarding the cyberwarfare between Ukraine and Russia, it is clear that the consequences of such attacks are potentially dangerous and sometimes may even be deemed as unrepairable [3]. The above-mentioned cases should trigger the interest of companies, but also the country of Kosovo, to invest



## “Kosovo’s financial sector has undergone a rapid digital transformation, embracing the potential of technology to improve services for their clients and facilitate their operations.”

more effort and resources for establishing the necessary measures for protecting cyber space and round-up the national cybersecurity framework.

In this context, it is worth mentioning that the use of information and communication technology (ICT) in Kosovo has expanded rapidly in the last decade, as it is now integrated in almost all domains of daily activities.

According to the recent reports from ARKEP, the internet penetration in Kosovo is constantly increasing and towards the end of the year 2022 it has reached more than 90 %, a percentage that is very similar with the average of EU countries. Moreover, due to a majority of young population and high internet penetration rate, many private companies and public insti-

tutions in Kosovo have moved their key client-facing services online, including organizations that manage and operate critical infrastructure sectors, especially the financial sector.

Kosovo’s financial sector has undergone a rapid digital transformation, embracing the potential of technology to improve services for their clients and facilitate their operations. While the digital revolution has provided tremendous efficiency, it has also introduced unprecedented risks that are quite complex to manage. Therefore, banks and financial institutions in Kosovo have quickly realized the need for effective cybersecurity measures as guardians of sensitive financial data and key facilitators of economic stability in the country.

Banks and financial institutions in Kosovo manage massive quantities of private data, including personal and financial information for hundreds of thousands of customers. This huge amount of data is a potential target for hackers looking to exploit weaknesses to commit identity theft, financial fraud, or illegal transactions. Realizing this fact, banks have strengthened their defense capabilities by implementing cutting-edge cybersecurity solutions to protect customer information and avoid data breaches that might put their financial stability at risk. In this aspect, building trust is critical to the development of a strong financial environment, since a single cyber event can have far-reaching implications, undermining clients’ trust in financial institutions, brand damage, regulatory sanctions, and significant financial losses for the institution.

To maintain the foundation of trust, banks in Kosovo have prioritized implementation of rigorous cybersecurity policies and a variety of practical

information security procedures to secure sensitive financial data and keep their clients’ trust. Their defenses against unauthorized access and other types of cyber-related risks and threats are strengthened by access controls, continuous security information events monitoring, vulnerability assessment, penetration testing, encryption, network security, multi factor authorization of transactions and payments, compliance with SWIFT policies in security framework and the like. Furthermore, regular risk assessments, detailed security audits, business continuity and incident response plans enable rapid and effective responses to possible cyber threats and attacks. On the other side, employees are continuously trained to identify, and report suspected issues through security awareness training and education, while supplier risk management guarantees third-party compliance with the information security standards such as ISO 27001 or NIST. In this context, banks and financial institutions demonstrate a persistent dedication to protecting their clients’ interests and securing their financial transactions by investing in novel protection technology and establishing a culture of security awareness among their employees and clients. Furthermore, the banking and finance sector operates around the clock in the digital environment, providing clients with real-time transactions and services. These ongoing relationships, however, expose institutions to a variety of cyber risks such as distributed denial-of-service (DDoS) attacks or malware infections, which can interrupt services and compromise customer trust. Understanding the importance of continuous service delivery, Kosovo’s financial institutions have implemented so-

In his book

## “The Fourth Industrial Revolution”



prof.

**Klaus Schwab**

describes the difference between the fourth industrial revolution and the other three.

phisticated cybersecurity measures to ensure business continuity. They demonstrate their dedication to maintaining flawless operations and defending client interests even during times of challenges by strengthening their cyber defenses.

Aside from client trust, regulatory compliance is also a top priority for the banking and financial institutions. To protect client’s data and maintain the integrity of the financial system, government agencies and regulatory authorities have established strong cybersecurity rules. Failure to meet these criteria might result in serious sanctions and reputational harm, therefore this was an additional aspect that triggered banks in Kosovo to proactively implement cybersecurity best practices, invest in cutting-edge technology and install solid securi-

ty measures. Besides that, the battle against cyber threats is constantly evolving, forcing Kosovo’s financial institutions to remain focused and creative as cybercriminals develop advanced strategies on regularly, requiring a proactive approach to cybersecurity. In this context, institutions in Kosovo have also started to invest in building the necessary regulatory and operational framework nationally and internationally to protect against sophisticated attacks. By taking a coordinated approach, the Kosovo banking sector strengthens its cyber security capabilities, protecting the collective interests of its clients and guaranteeing the financial stability of the country. Moreover, it is worth to mention that aiming to facilitate experience and information sharing between banks, Kosovo’s Banking Association has established a dedicated committee that will deal with cybersecurity issues and activities within the financial sector in the country.

In conclusion, cybersecurity is an essential part of the Kosovo financial system. Banks and financial institutions must prioritize robust cybersecurity measures to protect client information, maintain trust, prevent financial losses, ensure business continuity, and comply with regulatory requirements as guardians of sensitive financial data and facilitators of economic stability. Kosovo’s financial industry is committed to ensuring the country’s financial stability by utilizing cutting-edge technology, cultivating a culture of security awareness, and collaboration for increased cyber protection. Financial institutions in Kosovo strengthen the financial landscape by proactive measures, assuring that the future is secure and prosperous for this country’s financial ecosystem.



**GËZIM DRAGUSHA**  
INFORMATION SECURITY  
COORDINATOR  
BANKA EKONOMIKE

## Five Strategies for Enhancing Cybersecurity in the Banking System



**T**echnology, innovation efforts, and digitization have brought about a profound transformation in how banks operate and provide their services. While this has brought many advantages for customers and overall operations, it has also opened up a range of new ways to attack and exploit banking systems. Customers can perform transactions, check their balances, and manage their finances with a touch of a mobile screen or a computer.

However, this easy and fast approach has brought with it a range of risks that should not be underestimated. Cyberattacks have become a daily reality for financial institutions, especially for banking systems.

Attacks on financial institutions are among the most advanced and sophisticated. Starting from phishing scams and spear phishing, denial of service attacks (DDoS), to more advanced techniques such as ransomware. This is due to the large financial gains that a successful attack can bring and the valuable information that banks store.

A cyberattack on a bank can include customer data theft, fund theft, damage to IT infrastructure, or even service disruption. The consequences of these attacks are not only financial losses but also reputational damage and loss of customer trust, which can have long-term impacts on a bank's performance.

As technology increasingly influences the development of the banking sector, two of the most well-known trends, "Cloud Computing" and "Artificial Intelligence" (AI), are revolutionizing how banks operate.

In this context, it is essential that we pay special attention to cybersecurity strategies in the banking system in Kosovo.

To enhance cybersecurity in banking systems, here are five key strategies:

### 1 Staff Education and Awareness about Cybersecurity

Regardless of advanced security technology, a simple mistake by an employee can cause significant financial loss and damage reputation. This makes staff education and awareness a priority.

Education and awareness methods should include sessions on how to recognize and avoid scam attempts, such as phishing attacks, how to use security tools like two-factor authentication, and rules for preserving and sharing cus-

tomers information. Banks should also organize various tests and simulations from the field of Cybersecurity to ensure that staff are prepared for real threats.

Only through an informed and prepared staff can cybersecurity be strengthened and protected. An informed staff about cyberattacks is the first line of defense.

### 2 Two-Factor Authentication (2FA)

It is one of the most effective tools for enhancing cybersecurity in banking systems.

This security technique requires a user to provide two different authentication factors to log into an account or system. This makes common attacks such as using compromised passwords much more difficult.

### 3 Real-Time Threat Monitoring and Vulnerability Scanning

Another important aspect of a cybersecurity strategy is monitoring and threat detection, as banks are careful targets for cyberattacks and must protect their customer data and finances. This includes continuous network traffic monitoring and log

analysis to respond immediately to suspicious activities.

Early detection can significantly reduce the impact of a cyberattack.

Scanning systems with tools for finding vulnerabilities and potential threats is a common practice in cybersecurity. Tools such as Nmap, OpenVAS, Nessus, Wireshark, and Burp Suite provide opportunities for identifying vulnerabilities and security leaks in networks and system applications. It is important to use these tools carefully and implement the appropriate cybersecurity laws and regulations. Regular and documented system scanning helps protect them from potential threats and enhances cybersecurity in banks.

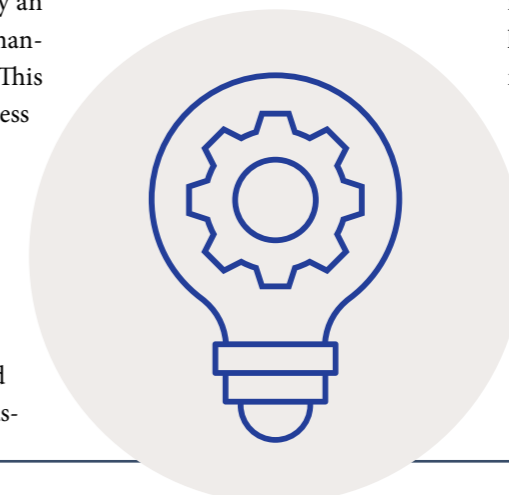
### 4 Regular Patching and Updates

Ensure that all software and devices are updated with the latest security updates. This includes updating operating systems, applications, and firewalls to reduce the risks of exploiting any known vulnerability.

### 5 Incident Management Planning

Be prepared for security incident management. Create plans and procedures to respond to potential attacks, including isolating the incident, analyzing the damage, and returning to normal.

These strategies will help banks achieve their cybersecurity enhancement goals, better protect against attacks, and preserve customer data and trust. Changes in the cybersecurity landscape are ongoing, so it's important for banks to keep up the pace and be ready to face new threats.





**BLERIM REXHA**  
PROFESSOR AT THE UNIVERSITY OF  
PRISHTINË - FACULTY OF ELECTRICAL  
AND COMPUTER ENGINEERING

Cyber security has become one of the most important topics of our times. It is essential for individuals, businesses, and organizations due to the increasingly digitalization of our world. In light of that, Prof. Dr. Blerim Rexha tells us about the most common cyber security threats, artificial intelligence (AI), data protection awareness, and challenges for the future.

**R**exha lists the top five threats faced by individuals and businesses as follows:

1. Malicious software (malware) and viruses: programs designed to cause harm to computer operating systems and software. The consequences are many, such as system malfunction, loss of data, and misuse of such data.

2. Distributed Denial of Service (DDoS): attacks executed by flooding the targeted system (computer, server, router, etc.) with invalid data packets consuming its physical resources and consequently denying delivery of service to legitimate users. DDoS attacks can cause huge financial losses and damage the reputation of any business that provides Internet services.

3. Use of compromised passwords disclosed in online marketplaces. At-

tackers use compromised passwords to access the accounts of individuals or businesses. This type of attack can lead to the theft of sensitive information, misuse of digital identity, and financial harm.

4. Phishing (fishing for passwords): form of social engineering scam, where attackers use personal or contextual information to make their messages seem more credible, purporting to be from real sources. Such messages are delivered to specific individuals or organizations, with banks and financial institutions rating as preferred targets, and aim to obtain sensitive information, such as passwords or banking information.

5. Ransomware: This type of attack encrypts the records on the victim's computer, making them inaccessible, and demanding a high ransom for the

**“For 7-8 years now, Kosovo has organized national and international conferences on cyber security. So, I expect that Kosovo will continue to invest in enhancing its capabilities for cyber defense, spanning both human and technical infrastructure. International cooperation is the best approach because cyber security is a global challenge.”**

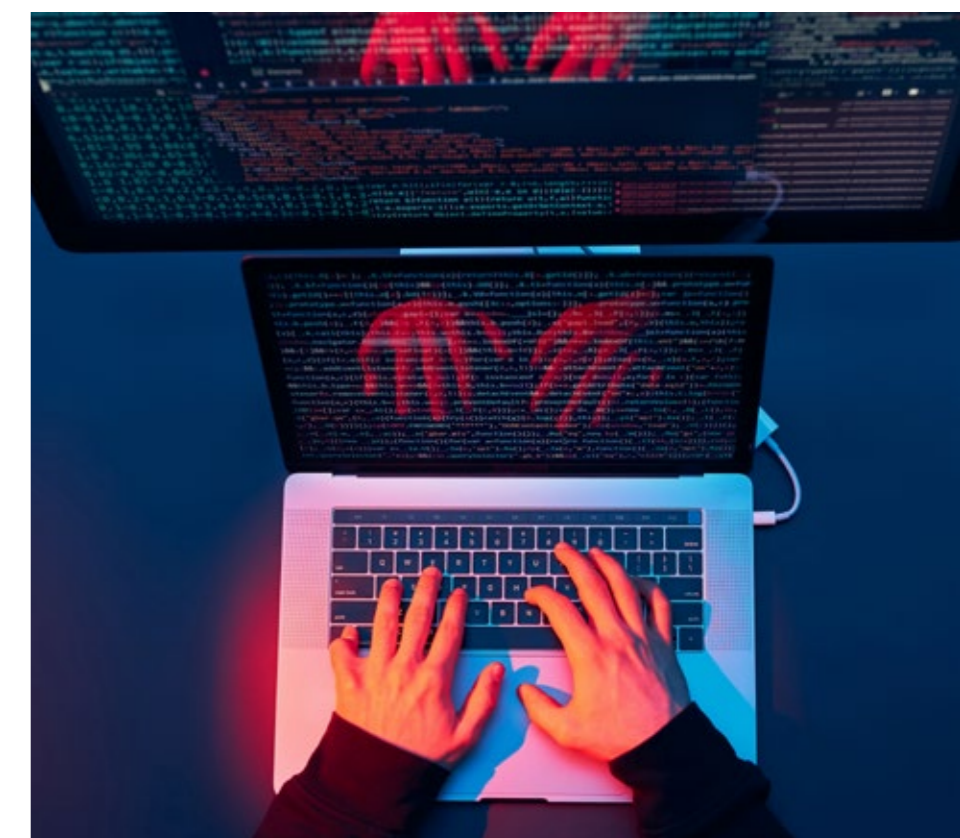
decryption key. Such attacks are the most dangerous and can lead to loss of data and high costs to restore the system.

Since most of us have an Internet presence, we are all exposed to cyber risks. However, sometimes we are the ones who fall prey to cyber-attacks because of some common mistakes.

“The password still remains the Achilles’ heel, when it comes to the security of users on the Internet. Therefore, the use of weak passwords (short, simple, easy to guess) features still as a rookie mistake that most users make. To avoid this mistake, individuals should use complex passwords, including a combination of upper- and lower-case letters, numbers, and symbols, and a length of at least 10-12 characters”, says Rexha.

Further elaborating on passwords, Professor Rexha advises us not to use the same password for multiple accounts because if an attacker finds or cracks the password of one account, then they can access all the other accounts sharing the same password.

“Another important tool that makes our presence on the Internet more



secure is two-factor authentication (2FA) or multi-factor authentication, making it difficult for an attacker to access our accounts”, says Rexha.

The professor has another message related to clicking on suspicious and

unknown links and failing to update systems and software applications. “Do not click on every link, because ‘all that glitters is not gold’, and enable automatic updates of the operating system and applications.”

Another reason we fall prey to cyberattacks is the lack of security awareness, because attackers use advanced ‘social engineering’ techniques to access records, and this is where even the most modern technologies fail. Therefore, consistent education about ‘cyber hygiene’ is required and pressing for everyone.

Lately, there has been a lot of talk about AI, which has introduced extraordinary innovation to various fields, but Professor Rexha tells us how it relates to the avoidance of cyber-attacks:

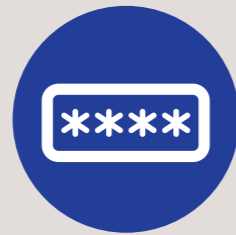
“AI can serve as an effective tool to identify, prevent, and detect cyber-attacks. AI can be used to analyze network traffic data, identify suspicious patterns and activities, and detect attempted attacks and unusual events. AI can also be used to bolster security mechanisms by developing advanced attack prevention and detection models.”

However, it is also likely that AI will have an adverse effect on cyber-security. Some of the concerns that the professor identified are:

1. AI exploits by attackers: who may use artificial intelligence to develop more sophisticated and harder to detect attacks. For example, they may use AI to design advanced malware that can evade traditional detection or auto-propagate mass attacks.

2. AI fallacies and biases: AI algorithms are based on previous patterns and data. If these models are weak or error-prone, AI may produce invalid or erroneous results. This can lead to the development of invalid security measures or potential loss of attack detection capability.

3. Enhanced Complexity: Integrating AI into security tools can



**The password still remains the Achilles’ heel, when it comes to the security of users on the Internet.**

**To avoid this mistake, individuals should use complex passwords, including a combination of upper- and lower-case letters, numbers, and symbols, and a length of at least**

**10-12 characters**

enhance the complexity of systems and infrastructure. This may make it more difficult for security administrators to effectively oversee and manage these systems, opening the door to potential security error and vulnerability exploits.

4. Lack of transparency and accountability: AI can be extremely complex and difficult to fully understand and properly control. This can create challenges in terms of transparency and accountability, making it more difficult to identify errors, responsibility, and accountability for AI decisions and actions.

“While, to minimize the risks and adverse consequences of AI in cyber security, it is important to develop clear standards and security criteria

for the implementation and use of AI technology.

Also, the work to improve the performance and accuracy of AI algorithms should be continued, to ensure transparency, accountability, and effective oversight of AI actions in the field of cyber security,” says Rexha.

Speaking about the future of cyber security and the evolution of this field in Kosovo, Rexha notes that cyber security will remain the main challenge for the whole society – because cyber risk will continue to grow.

With the expansion of technology and the wider use of the Internet, cyber-attacks can be used to target enterprises, government institutions, and individuals.

Next, the professor tells us that the Faculty of Electrical and Computer Engineering has actively participated in all such events, and for two years they even hosted the Cyber Defense Competition organized with the support of Iowa State University, and these were successful events.

“Our students outperformed Iowa students on matters of cyber defense – so we can safely say that we have developed professional staff to address current cyber security challenges.

Many of these students are now outsourced to work from Kosovo for foreign companies in the field of cyber security,” Rexha says.

In the end, Rexha also spoke about awareness regarding cyber risks and data storage, where he assessed that Kosovo has better indicators of Internet usage than its neighbors and many other developed countries.

Nevertheless, he notes that the citizens of Kosovo are not sufficiently educated about the dangers lurking in cyber space and points out that cyber hygiene courses are required at the national level.

# Chapter

# 5

## Transparency and ethical behaviors in banking operations



**ARIAN GEGAJ**  
CHIEF COMPLIANCE OFFICER & SECRETARY  
OF BOARD OF DIRECTORS  
PRIBANK

## Customer Confidence and Building an Ethical Culture in the Banking Industry

Banks play a crucial role in a nation's economy and in managing deposits and other finance matters, therefore special emphasis must be placed on ensuring customer confidence, transparency, and ethical conduct. There are several key factors that contribute to building customer confidence and an ethical culture in the banking sector.



**T**ransparency: It is imperative for Banks to be transparent about their products, services, fees, and terms and conditions. Clear and easily understandable communication provides transparency which helps customers make informed decisions and this contributes to establishing customer confidence.

**Prevention of Conflict of Interest and Corruption:** Detecting and preventing potential conflicts of interest and providing comprehensive information on risks and benefits is also vital. In this regard, Banks should develop clear policies for the prevention of bribery and corruption and the establishment of infrastructure for monitoring and

reporting by whistleblowers both inside and outside the organization. These issues should be handled by an independent function internal to the bank in order to avoid bias, conflict of interest, and possible undue influence.

**Focus on the Customer:** Putting the customer's interests first is essential. Banks must develop products and services that match customer needs and provide value. Providing customized solutions, reliable customer service, and promptly addressing customer concerns contribute to building confidence.

**Ethical Behavior:** Banks develop Codes of Conduct to establish and implement high ethical standards in their operations. This includes strict compliance with legal and regulatory requirements, as well as avoiding unethical practices such as fraud and money laundering. Promoting a culture of compliance throughout the organization is essential.

**Data Protection, Privacy, and Security:** The protection and security of customer data is highly sensitive and one of the most important requirements. Banks must implement strong security measures to protect customer data and information, in compliance with the law on personal data protection as well as international directives applicable in this field and be transparent about their data handling practices. Providing customers with control over their data and regularly updating security protocols helps increase customer confidence. Banks must update their security systems at all times so that customer and data systems are safe and protected. IT system security will be based on determining the fulfillment of the following criteria:

**IT system security will be based on determining the fulfillment of the following criteria:**

1. Confidentiality: information must be accessible only to authorized users;
2. Integrity: maintain an accurate and thorough information system;
3. Availability: access at any time to the IT system for authorized users.

**Responsible Lending and Investment:** Banks have a responsibility to lend and invest responsibly, taking into account the potential social and environmental impacts of their activities. Avoiding bad lending practices and supporting sustainable initiatives contribute to an ethical culture and to building confidence among customers who value responsible business practices.

**Compliance and Risk Management:** Banks must have strict compliance programs to ensure compliance with legal and regulatory requirements and also monitor according to standards applicable to anti-money laundering, fraud, and other illegal activities. Establishing robust risk management frameworks helps identify and mitigate risks, protecting customers' interests.

**Social Responsibility:** Demonstrating a commitment to social and environmental responsibility will enhance the bank's reputation and customer confidence. By actively engaging in social responsibility initiatives, supporting local communities, and minimizing their environmental impact, banks can contribute to a positive ethical culture.

**Corporate Governance:** As defined in the Regulation, Corporate Governance means the manner of managing bank business and activities by distributing powers and responsibilities between shareholders, boards of directors, and senior management, which affects the way how they determine strategy and corporate objectives, select and supervise personnel, perform the activities of the bank on a daily basis, harmonize activities and corporate conduct code with the expectation that banks will operate in a safe and sound way and in compliance with applicable laws and regulations, and the manner of setting control functions and protecting depositor interests.

**Continuing Education and Training:** Banks should invest in continuing education and training programs for their employees to ensure that employees understand ethical standards, regulatory changes, and best practices. Promoting a culture of learning and providing resources for employees to make ethical decisions helps embed ethical behavior into the DNA of the organization.

**Open Communications:** Encouraging open dialogue and listening to customer feedback is crucial for banks to understand and address customer concerns. Regularly seeking feedback, conducting customer surveys, and using such insights to improve products and services demonstrates a commitment to customer satisfaction and confidence. By prioritizing these factors, banks can build a culture of confidence, integrity, and ethical behavior, strengthening customer relations, and contributing to the overall prosperity of the banking industry.





**PARTIN PRUTHI**  
HEAD OF LEGAL  
TEB BANK

## Transparency in banks, a key pillar of financial integrity

**T**he concept of transparency in banks can be easily explained by going through the fundamental principles of trust, and how that is necessary for maintaining financial integrity, however, to properly understand all of that, we must also examine why human beings created those fundamental principles in the first place. Ultimately, transparency in banks is the result of the evolution of one of the key traits that we have as human beings: we are social creatures. It is because of that trait that we have managed to create the amazing world we live in today.

Because humans are social, we are able to cooperate and achieve more together than individually. To further foster this cooperative nature, humans developed ways to benefit from the work of one another, by deciding to trade the goods that they created due to their location or expertise with other human beings in other locations and with different skills. This ultimately led to the creation of money.

Money is one of the most fascinating concepts ever created by human

beings. We have managed to gradually evolve the way that we store and transfer value from ancient barter systems to a complex global interconnected system that enables us to transfer enormous amounts of values in seconds, anywhere in the world. However, just like the creation of energy requires force and distance, the creation of value requires work and time. That last element, time, is what human beings value the most, since it is one of the few physical properties of our lives which is strictly limited. Currently, people have limited lifespans, thus the only factor limiting their achievements is time. When we work for a certain amount of time, we create value, which is stored and transferred with money. Hence, the importance of money for people comes from its time element. That is also the reason why we are very emotionally attached to money, since it represents the time that we have spent (or someone in our family has spent) creating value, thus limiting our opportunity to trade with others and fulfil our needs or desires. That is also why we prohibit

and criminally penalize the misappropriation of money.

Turning to how we manage money today, our societies have created systems of cooperation where we entrust legal entities (another amazing human concept which enables cooperation and the separation between ownership and management) to keep and safeguard our money. Money can also be borrowed, to be used to generate more money, and the gains split with the providers of the money.

In the past, people used to keep their most commonly accepted currency (i.e. gold or silver coins) in their possession, whereas now, we use Banks. This system has evolved so much that Banks don't even have to keep physical money in their possession, and just rely on the various ledgers that they (and their counterparts) have. This would have been impossible if banks had not been transparent, and in today's rapidly evolving financial landscape, transparency has emerged as a cornerstone of maintaining financial integrity. In the banking sector, trust and accountability are paramount. Without transparen-



cy, none of us would feel comfortable handing over our money to banks for them to keep and manage.

Naturally, transparency in banks does not mean that everyone has access to any kind of information. Because of the importance of money to human beings, the banking sector is one of the most regulated sectors in the world. There are strict rules regarding transparency as well, regarding what kind of information must be disclosed to clients, investors, or regulators.

Transparency in banks serves as a fundamental principle for building trust and maintaining the stability of the financial system. By openly sharing information, banks demonstrate their commitment to ethical practices, responsible governance, and fair treatment of clients. It allows stakeholders (clients, shareholders, investors, regulators) to make informed decisions, mitigate risks associated with fraudulent activities, and ensure the smooth functioning of financial markets.



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One of the primary benefits of transparency is its impact on client trust. Banks cannot exist without clients. When banks provide clear and easily accessible information about their services, fees, and policies, clients can make well-informed choices and have confidence in the integrity of the institution they entrust with their money. Transparent disclosures of various money operations and risks associated with financial products and investments also empower clients to assess the potential rewards and make sound investment decisions aligned with their risk appetite.

Furthermore, transparency plays a vital role in the relationship between banks and regulators. Open reporting mechanisms and disclosure requirements facilitate regulatory oversight, enabling authorities to monitor compliance, detect irregularities, and take appropriate measures promptly. This collaborative approach strengthens the financial system's resilience and helps prevent crises that can have far-reaching consequences.

**To strengthen transparency in banks, sector participants and regulatory bodies work together to establish robust frameworks and enforce stringent regulations. Some of the key measures that enhance transparency in the banking sector are:**

- 1 Clear and Comprehensive Disclosures:** Banks should provide easily understandable (for every type of client reading them), standardized, and comprehensive information about their products, services, fees, and terms. This empowers clients to make well-informed decisions and facilitates fair competition among banks.
- 2 Transparent Financial Reporting:** Banks should adhere to high-quality accounting standards and provide accurate and timely financial statements. These statements should disclose relevant information, including risk exposures, capital adequacy, liquidity positions, and contingent liabilities. Such transparency helps stakeholders assess a bank's financial health and make informed investment decisions.
- 3 Anti-Money Laundering (AML) Measures:** Banks must implement robust AML procedures to combat money laundering, terrorist financing, and other illicit activities. Transparent reporting of suspicious transactions and cooperation with law enforcement agencies are essential for maintaining the integrity of the financial system.
- 4 Whistleblower Protection:** Establishing mechanisms to protect whistleblowers who report internal misconduct or unethical behaviour within banks is crucial. Whistleblower protection encourages employees to come forward and helps uncover potential fraudulent activities and promotes transparency and accountability.
- 5 Stakeholder Engagement:** Banks should actively engage with stakeholders, including clients, shareholders, employees, and communities. By soliciting feedback, addressing concerns, and incorporating diverse perspectives, banks can demonstrate their commitment to transparency and build stronger relationships based on trust.

These are only a few important measures that enhance transparency, to demonstrate how transparency improves the relationship between banks and their stakeholders, and how these measures make us more comfortable in allowing banks to keep and manage our money. Many authoritative reports and papers can be found on this topic, and it is impossible to thoroughly

examine all transparency enhancing measures here.

Transparency in banks is a critical element for upholding financial integrity and fostering trust in the banking sector. Banks play an essential role in our lives, and in many cases, we are obligated to use them. By promoting openness, accountability, and ethical practices, banks can establish

themselves as responsible financial institutions and strengthen client confidence. As the financial landscape continues to evolve, prioritizing transparency will be vital to safeguarding the integrity of the banking system and ensuring sustainable growth for all stakeholders involved. After all, although we work in banks, we are their clients as well.



**ERMAL LECI**  
REGULATORY COMPLIANCE MANAGER  
TEB BANK

## Personalized banking services tailor-made for customer needs

The banks must use the technology advancement and serve their customers the adequate products for their needs in the optimal timing through their preferred channel.

**D**igital transformation has started to disrupt every part of the life and all sectors of economy, and financial sector was no exception. Banking went a step further by embracing the technology advancement in order to optimize their processes and automatize the service providing in the same manner.

The technology advancement has increased the customer expectations with the same speed, maybe in faster pace, and the concept of one size fits all is obsolete in the banking services nowadays. Banking is heading toward the



direction of personalized banking services, tailor-made for customer needs, in order to strengthen the relationship, increase the satisfaction and serve them in due time. While in the past banks have been differentiating themselves with products and processing time,

now the real differentiation is being made by the personalized experience. One of the Leading Banks in the financial industry in a branded article has defined "The future of Digital Banking is the Individualized Experiences".<sup>1</sup>

The best way to provide a superb product or service, is to understand the benefits and the power that comes with it, and the tailor made experience has many.

Business with customers is a regulated relationship based on financial soundness and protection of the interest of the customers, and the best solution is the adequacy of the offering.

<sup>1</sup> Nast, Condé. "Wired Brand Lab | the Future of Digital Banking Is Individualized Experiences." Wired, 16 May 2022, [www.wired.com/sponsored/story/the-future-of-digital-banking-is-individualized-experiences/](http://www.wired.com/sponsored/story/the-future-of-digital-banking-is-individualized-experiences/).

The adequacy of a product offered, comes after we understand the customers' requests, circumstances, plan and the preferences. And only than we can offer the product, service or the financial advice suitable for their requirements with a long-term benefit.

Another benefit that comes from the technology advancement and that enriches the personalized relationship is the relevant financial offer in the right time. By using the customer data and analyzing them, banks can leverage to provide to the clients the personalized service just in time to make well informed decisions and preserve their financial health.

But the best benefit that comes from the personalized banking services is the customer satisfaction. The package of the adequate service in the right time must be complemented with a very good user experience, since we can target and reach the customers on their favorite channel. Doing the homework before the client will be in front of your agent in the bank, makes the face to face service experience very pleasant for the customer. On the other hand, the technology advancement has made it possible to have user friendly applications that can be used on the favorite tech gadget.

Once the benefits are identified, the banks must explore the technologies they must adapt and paths they must follow in order to personalize the banking services as per the customer needs.

Banks already have the main ingredient toward the solution, the customer data, and those must be leveraged in order to explore the customers profile, demographics, purchasing power, financial need and preferences. Thus, we can adapt algorithmic models, to identify the patterns and try to offer the right personalized products and services.

**A major game changer is the power of Artificial Intelligence and the AI Powered Chatbots that banks have adapted to provide virtual assistance to customers for their requests, complaints, queries and instant information. The AI paved the path toward the Robotic assistance, that some banks have went a step further by providing even complex personalized advices regarding investments, portfolio management or savings. The utilization of algorithm by platforms, made it possible for customers to get the above mention personalized services in line with their financial goals. The future usage of the AI will certainly go beyond the current utilization; therefore, banks must continue to be attentive to the development trends of AI.**

Customer preference of communication, plays a major role on personalization of banking services. Somebody might want to do the banking through an app, another customer would prefer a branch visit or a through call center, or maybe using the website in front of your PC. So offering different channels, improves the customer experience and makes banking accessible as per preferences. Furthermore, we can use all the channels to have a proactive approach of communication with the bank's customer base. Banks can use all the channels to send alerts, updates, recommendations or even target the

audience with a marketing material for their adequate products.

Banks must keep in mind that while offering personalized banking services, must be careful with the regulatory requirements, protecting interest of the clients and the data protection. Using lots of technology to analyses data we must be very careful on data processing and General Data Protection Rules, while designing the products we must bear in mind the regulatory requirements regarding the transparency, customer interest and the consent.

It is inevitable, that the future of banking is becoming digital and the recent pandemic just fast forwarded the process, since the need for physical identification is becoming less crucial due to the technology advancement such as digital signature. Fintech has disrupted the market and Banks must act immediately, since the conventional banking will be off the table in very near future. Recently an article on Price Waterhouse Coopers website that I couldn't agree more, stated that: "Banks are left with no option but to adopt digital banking in a major way if they hope to

compete, and mass digitization is no longer a choice but an inevitability."<sup>2</sup>

The future is becoming digital, and personalized banking services are the major step toward the digital banking. Therefore, banks in order to remain a significant player in the financial industry must use the data analytics, Artificial Intelligence, and communicate to the customer base on their preferred channel in order to give to them a tailor-made experience as a trusted partner for their financial goals in due time.



## BANKS

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<sup>2</sup> PricewaterhouseCoopers. "The Future of Digital Banking Explored." PwC, [www.pwc.com/m1/en/media-centre/articles/the-future-of-digital-banking-explored.html](http://www.pwc.com/m1/en/media-centre/articles/the-future-of-digital-banking-explored.html). Accessed 21 July 2023.



**ZANA MEQA KASTRATI**  
HEAD OF ACCOUNT  
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## Access of Kosovo Citizens to Bank Accounts

The integration of knowledge and continuous innovations in the banking system, coupled with the use of advanced technology, has brought about significant changes in how the citizens of Kosovo easily manage their finances through bank accounts.

**T**he banking system in Kosovo has clear regulations and continuous oversight by responsible institutions, ensuring the safety and transparency of banking services provided to citizens. Within this regulatory framework, banks implement simple and fast procedures that enable citizens to open bank accounts using their identification documents.

In today's world, with the dynamics of technological development and globalization, the opportunities for citizens of Kosovo in the field of banking have expanded and improved in multidimensional ways. This improvement and change have occurred gradually and have been reinforced by the increasing use of digital platforms and online services by customers.

One of the main advantages is easy access to their money at any time and place through a wide network of ATMs and online services. This has created a more secure environment for preserving money and gives customers full control over their finances.

In addition to easy access to their money, bank accounts offer various opportunities for quick payments and transfers both domestically and internationally. This is particularly important for citizens who are part of the diaspora, as they can transfer their funds quickly, securely, and at low cost. Furthermore, through banking services, customers can make online purchases of products and other services in international markets. All of these factors have made Kosovo citizens more integrated into

the global economy and have provided them with greater opportunities for financial development.

Among other things, bank customers have clear documentation of all their transactions, which not only helps in easier personal finance management but also raises awareness about their usage patterns.

The opportunity to have multiple bank accounts for different purposes is another advantage. Our citizens have the possibility to have separate accounts for savings, regular payments, investments, and so on. Owning multiple accounts for various purposes offers a high level of flexibility in managing personal finances, increasing their wealth, and the opportunity to achieve long-term financial plans.

REGARDING THE NUMBER OF CITIZENS WITH BANK ACCOUNTS, ACCORDING TO THE LATEST REPORT ON FINANCIAL INCLUSION (FINDEX) FROM THE WORLD BANK, KOSOVO HAS MADE SIGNIFICANT PROGRESS IN THE BANKING SECTOR. ACCESS TO BANK ACCOUNTS HAS INCREASED BY

**31.8%**  
over the past  
decade



**According to  
this report**  
**55%**



OF CITIZENS NOW HAVE ACCESS TO BANK ACCOUNTS, WHICH IS THE RESULT OF THE BANKING SECTOR'S COMMITMENT TO EXPANDING THE SERVICES OFFERED AND RAISING AWARENESS ABOUT THE IMPORTANCE OF USING BANK ACCOUNTS

THE REPORT ALSO STATES THAT AN IMPORTANT PREREQUISITE FOR HIGHER ACCESS TO BANK ACCOUNTS IS THAT THE UNEMPLOYMENT RATE IN THE COUNTRY SHOULD BE LOWER.



## The use of bank accounts

by citizens has the potential to deeply impact the economic development of the country.



By keeping money in bank accounts, citizens contribute to securing financial resources for various investments..

Another important development will be the implementation of electronic signatures in the financial sector, which will be a significant step towards a more advanced and reliable financial market. Electronic signatures will further facilitate the establishment of financial relationships and agreements with clients, reducing the need for physical presence in banks and other financial institutions.

In conclusion, access of Kosovo citizens to bank accounts is a necessary process to create a developed and financially sustainable society in the future perspective.

The use of bank accounts by citizens has the potential to deeply impact the economic development of the country. By keeping money in bank accounts, citizens contribute to securing financial resources for various investments. Moreover, conducting transactions and payments through bank accounts helps reduce the use of cash, thereby reducing the informal economy and increasing financial transparency. Another crucial element is the creation of financial history through the use of bank accounts, which allows banks to assess financial capacity and risks, offering citizens more opportunities to invest and achieve their financial goals. Thanks to the utilization of digital platforms, using bank accounts presents lower transaction costs compared to traditional payment methods. At the same time, banking services provide a high level of financial security for citizens by ensuring the safety of their money and personal data.

However, despite significant progress in the distribution and use of banking services among citizens in recent years, there are still challenges that accompany us and are expected to be addressed. One of the factors may be the lack of complete information about the importance of saving money in bank accounts or benefiting from financial products and services among a portion of the population.

In this regard, banks and state institutions continuously work on promoting financial education and providing necessary support to encourage citizens to access and use banking services.

Consequently, a developed banking system used by the citizens of Kosovo helps in the growth of the local financial market, stimulates investments, and increases economic activity in the country.



**LIRIDON ALIDEMAJ**  
HUMAN RESOURCES EXPERT  
TOP CONSULTING LLC

Human resource management, compliance with labor law, inclusiveness, and cultural diversity are some of the most important topics related to the labor market. Good human resource management affects the performance, innovation, and development of both public and private sector. To discuss these topics and how Kosovo stands on these issues, we have solicited input from Mr. Liridon Alidemaj.

**A**lidemaj tells us about the first steps that must be taken before starting the recruitment process, such as the job analysis along with the detailed compilation of the responsibilities and criteria for the position in question.

When asked about recruitment in Kosovo, the steps and tactics that ensure a fair hiring process, Alidemaj tells us that there are several methods that apply in this direction: "We mostly approach recruitment using external recruitment tools such as employment agencies, employment portals, as well as various references. Tactics that we consider ensure fairness during the hiring process focus on testing candidates' skills, primarily soft skills, and candidates' readiness to meet the required level of competence for the job. Another strategy that ensures fairness during the recruitment process is the

establishment of an interview panel comprised of company employees because it serves as an argument for transparency during the recruitment process."

Yet another important issue in the employment process is addressing cultural diversity and inclusiveness initiatives of non-majority communities in Kosovo. "As we know, the concept of cultural diversity in Kosovo is also enshrined in the Constitution of Kosovo, as the highest legal and political act, whereby these groups are granted special protections. Drawing on my experience of 10+ years in the private sector, I think that we have enough awareness about the initiatives for the inclusion of diverse groups and cultures, but we still need to work more in this direction since we are not at the same stage as developed European countries. There should be greater inclusion of those groups



**“The work environment is one of the key factors affecting staff motivation and increasing work productivity. Therefore, it is important to promote a positive environment”.**



in the business field by cooperating with schools about their education, and also with vocational schools for acquiring different trades so that they have easier access to the labor market,” says Alidemaj.

“The work environment is one of the key factors affecting staff motivation and increasing work productivity. Therefore, it is important to promote a positive environment”

Alidemaj shared with us some of the strategies that should be used for a more satisfactory work environment such as involving employees in meetings and activities of the organization, bonus

schemes, job creativity, performance appraisal, organizing activities outside work facilities where the goal is for employees to socialize more with each other, as well as providing training that helps develop their careers.

Regarding employee health insurance and what are the biggest differences between the public and private sector in terms of work benefits, Alidemaj highlighted that employees sparingly have access to health insurance, considering the fact that many businesses, unfortunately, do not provide even the most basic health insurance.

“In addition to the salaries, which are respectively higher in the private sector, the public sector employees enjoy more benefits such as weekend leave, annual leave, medical leave, maternity leave, official holidays, compliance with the labor law and compliance with collective bargaining rights.”

Further, Alidemaj also spoke about the Labor Law, indicating that it needs updating, where provisions should be added to govern online work, on-call work, call-center work, remote work, in addition to addressing certain contradictions/ambiguities, as well as having a special law on maternity leave.

“Unfortunately, the Labor Law, since it entered into force in 2010, has not undergone a single amendment initiative, much less, there has not been even any additional administrative instruction to complement its provisions to date.”

Finally, Alidemaj also spoke about visa liberalization by the European Union. He believes that the effect of visa liberalization will be noticed in the second half of the year, but added that with such an issue there are two sides of the coin:

First, a part of the workforce, which even in Kosovo has been more passive than active, will leave, and these are people who in some cases have not applied for work at all, adamant to move out of Kosovo.

Second, there will be greater stability in the Employer-Employee relations and the working conditions and other benefits will improve even further,” Alidemaj concludes.

Siguroni dhe mbroni shëndetin e familjes tuaj



