



**REPUBLIC OF ALBANIA  
-COMPETITION AUTHORITY-  
COMPETITION COMMISSION**

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**DECISION**

**No. 174 of 25 January 2011**

**“Recommendations on the transparency and commissions applied in the banking services market”**

The Competition Commission, composed of

Ms. Lindita Milo (Lati)	Chair
Ms. Servete Gruda	Member
Mr. Koço Broka	Member
Ms. Rezana Konomi	Member

in its meeting of 25 January 2011 reviewed the Case with:

**Subject-matter:** Recommendations to the Bank of Albania and the Consumer Protection Commission on the transparency and commissions applied in the banking services market.

**Legal basis:** Law no. 9121 of 28 July 2003 “On Competition Protection”, as amended: Articles 2 (c), 24 (d), 69 and 70.

After reviewing the Working Group Report on Monitoring the Banking Services Market, as presented by the Secretariat, and following a consultation with representatives from the Bank of Albania and the Consumer Protection Department under the Ministry of Economy, Trade and Energy, and after reviewing the Bank of Albania opinion of 12 January 2011, the Competition Commission

**NOTES THAT:**

In late 2009 and in 2010 the Competition Authority monitored the banking market to assess commercial banks’ behavior with regard to their transparency and level of bank service fees, and to compare banking service fees in Albania with homologue banks in the region. The applied methodology was similar to the European Commission methodology for monitoring monitor the banking services market, and focused on measuring the transparency of banks’ working terms and conditions.

## I. Applicable laws and regulations

*The Albanian banking system operates under three key laws:*

- f Law no. 8269 of 23 December 1997, "On the Bank of Albania," (amended twice, in 1998 and 2002, respectively);
- f Law no. 9662 of 18 December 2006 "On Banks in the Republic of Albania";
- f Law no. 9902 of 17 April 2008 "On Consumer Protection";

*and under the following regulations:*

- f Regulation: "Internal rules of procedure for the operation of the small payment Albanian Electronic Clearing House - AECH"
- f Regulation: "Internal rules of procedure for the operation of the Albanian Interbank Payment System - AIPS"
- f Decision no. 2 of 28 January 2004 by Bank of Albania Supervisory Board: "Approval of users' fees for the Albanian Interbank Payment System – AIPS"
- f Decision no. 53 of 29 June 2005 by Bank of Albania Supervisory Board: "Approval of users' fees for the small payment Albanian Electronic Clearing House - AECH"
- f Decision no. 59 of 29 August 2008 by Bank of Albania Supervisory Board: "Approval of the Regulation on the banking and financial product and service transparency"

## II. Competition assessment

The Competition Authority initiated a monitoring exercise of the banking services market following public expression of concerns by businesses and individuals with regard to increased banking service commissions and lack of transparency in behalf of banks. The transparency on banking service and related fees is a significant factor to consumer choice, and, therefore, to free and effective competition in the banking market, which fall in the scope of Law No. 9121 of 28 July 2003 "On Competition Protection".

### II.1 Banking service fee transparency

Pursuant to the methodology underlying the study, an evaluation of bank transparency with regard to the products and services they provide was carried out by looking at the level of fees and transparency of banks.

A survey of commercial banks' websites showed that ten banks had websites where they had published their terms and conditions in both Albanian and English. During the monitoring period, the United Bank of Albania and the Credit Bank of Albania did not have websites. The National Bank of Greece, Alpha Bank, International Commercial Bank and Emporiki Bank had their respective head office banks' websites, with information on their international branch networks but with no information on the terms and conditions of the respective branches

operating in Albania. After the Competition Authority monitoring period, only Emporiki Bank, which is a member of Credit Agricole Group, launched a website in Albanian.

The information on bank websites was generally complete and up-to-date. The information was accessible to all those customers who would visit them.

The monitoring generally found that commercial banks did not inform their customers of changes in their terms and conditions thus leading to uninformed customers with regard to changed banking commissions, service fees and interest rates where those rates were based on Euribor or Libor. Based on the documents received during the monitoring, a commercial bank had increased its current account maintenance fee by 100% from one to two dollars in April 2009, without notifying its customers of this change. This kind of behaviour violates the Bank of Albania Regulation adopted by its Decision No. 59 of 29 August 2008 “Regulation on the banking and financial product and service transparency”.

This Competition Authority work on the transparency of changes to commercial bank terms and conditions and fees is important for the protection of free competition and consumer choice, in particular, and public interest, in general. The Competition Authority also assessed bank transparency and information asymmetry pursuant to Law No. 9902 of 17 April 2008 “On Consumer Protection”, which provides for bank-customer agreements to be governed by regulations of the Bank of Albania, the regulator of the banking system.

## **II.2 Service fee evaluation**

The Competition Authority assessed service fees by comparing them in accordance with bank groups G3, G2 and G1. The assessment included commissions on (i) current accounts; (ii) loans and overdraft facilities; (iii) bank checks; (iv) credit and debit cards; and (v) interbank transfers.

The monitoring found that several banks were members of international bank groups operating in various countries in the Balkans including Kosovo, Macedonia, Bulgaria, Romania, Bosnia and Herzegovina, Serbia and Greece.<sup>1</sup> The assessment compared service fees of banks operating in Albania with branches of the same bank networks in the region.

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<sup>1</sup> Applies only to banks with Greek capital.

### **II.2.1 Current account commissions**

An assessment of services and service fees for current accounts showed that banks belonging to the same bank groups applied different fees for the same services. Service fees for banks within groups (G1, G2 and G3) were comparable.

Service fees of most of commercial banks are charged in euros, forcing customers to either pay in foreign currency or convert local currency into foreign currency at the daily bank exchange rate. Given that the Albanian accounting legislation requires businesses to record their activities in the Albanian currency, it is unfair that bank revenues from their services are in Euro and that their service fees stated in the Albanian currency fluctuate subject to exchange rates. This method of operation confuses customers and, more importantly, exposes them to exchange rate risk.

Service fees for current accounts did not change during the monitoring period. In the same period, banks competed on the market by launching new services.

### **II.2.2. Loan and overdraft commissions**

An analysis of loan and overdraft facility fees showed that:

1. In the area of loans and overdraft facilities, commercial banks provide a broad range of services which vary among banks and are stated in different terms (in absolute values or percentages).
2. Almost all banks apply management fees. They vary from 1% to 3% for consumer loans, with BIS and FIB having the lowest fixed fee of 1%; from 1% to 2.5% for housing loans, with BKT, BC, BP, NBG and BIS having the lowest fee of 1%; and from 1% to 2% for automobile loans.
3. The vast array of services and types of tariffing creates the conditions for competition among banks. Competition among banks is also present in the various loan packages provided to customers whose salaries are paid through the respective banks or who have deposits with the respective banks (preferential customers) vis-à-vis the rest of customers.

The analysis shows that banks change their terms and conditions nearly once a year or when a new service necessitating new terms and conditions is launched.

### **II.2.3 Bank check commissions**

An assessment of check issuance and acceptance fees showed that:

1. The list of published bank fees for check services are mainly in Euro.
2. All banks issue books of checks, the purchase price for which varies among banks.
4. Commissions for issuance, acceptance and suspension of checks vary among banks, while they are either zero or very low for accepting checks issued by the same banks.

#### **II.2.4 Credit and debit card commissions**

The number of banks providing e-products<sup>2</sup> reached 12 in 2008, and the number of electronic cards issued in 2008 was 513,232, of which 496,301 were debit cards and 15,391 were credit cards. The banking system had installed a total number of 642 ATMs and 2,953 POSs.

The use of cards requires technological infrastructure and licenses to issue and own cards. The monitoring showed that only a G1 bank did not provide the product of bank cards,<sup>3</sup> and only nine of G1 banks provided both debit and credit cards.

An analysis of the data shows that no banks applied any service fees on cash withdrawal at their own ATMs<sup>4</sup> and on using cards on their own POSs. All debit cards could be used at other banks' ATMs against service fees which varied from ALL 150 (Intesa SanPaolo Bank) to ALL 600 (Tirana Bank). Debit cards that had been issued by BIS Bank and BNT could only be used at their respective ATMs. Service fees on using ATMs and POSs of some of the banks were fixed, while they were expressed as a percentage of the transaction value for some other banks, with a minimum service fee. The fee, however, varied among banks.

Banks applied service fees on withdrawing cash using credit cards at their own and other banks' ATMs, and on using credit cards at POSs. Commissions on using credit cards varied among banks.

#### **II.2.5 Transfers between banks**

Interbank transfer system is divided into two groups of transfers: small-value transfers and large-value transfers. Interbank transfers are made through AIPS and AECH systems. AIPS (Albanian Interbank Payment System) is the system used to settle large interbank

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<sup>2</sup> According to Bank of Albania data in response to EU Questionnaire.

<sup>3</sup> Credit Bank of Albania.

<sup>4</sup> Only Credins Bank applies a commission after the third withdrawal in a month.

payments; AECH (Albanian Electronic Clearing House) is a clearing system for small payments.

AIPS provides five types of services: Bank of Albania financial instruments/transactions, cash transfers to/from emission, interbank payments, customer payments, and net clearing system settlements. The monitoring exercise focused only on customer payments, which accounted for 51% of total services under AIPS.

Commercial banks apply different fees for interbank transfers under AECH and AIPS.

### **II.3. Regional comparison**

The assessment of banks in the Albanian banking system found that several banks belonged to international bank chains. In order to have a clearer picture on bank service fees that Albanian consumers pay, the working group compared them with fees applied in other countries in the region where the same bank chains operate. The countries under review included Kosovo, Macedonia, Bulgaria, Romania, Bosnia and Herzegovina, Serbia and Greece.

Given the different macroeconomic indicators and banking system characteristics in those countries, the regional comparison only aimed at determining the position of service fees in Albania, rather than drawing any conclusions whether the fees were abusive and uncompetitive. A conclusion whether service fees were abusive would require an accurate cost-benefit analysis by commercial banks or Bank of Albania. The anecdotal evidence from the Bank of Albania indicates that no such analysis has been carried out yet. Bank of Albanian Supervision Department does not supervise the costs of services provided by commercial banks.

Some of the banks that are members of international chains include Raiffeisen Bank; Intesa Sanpaolo Bank; Alpha Bank, Tirana Bank (Piraeus Group), Procredit Bank, etc. In the assessment, service fees were grouped by type of service within the same bank group.

The reviewed data showed that banks operating in Albania generally applied higher banking service fees than their sister banks in the Region, especially with regard to fixed commissions on closing current accounts, account maintenance, issuing plastic cards and annual maintenance of plastic cards.

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<sup>5</sup> Since service fees are mainly stated in local currencies of the countries in the region, we converted them into Euros, based on the exchange rates published on [www.xe.com](http://www.xe.com).

### III. Conclusions

The exercise of monitoring the commercial bank service market showed that:

1. The lack of transparency was reflected in the lack of elasticity of demand for bank services, which made it difficult to assess the degree of effective competition among market operators.
2. Commercial banks generally applied different fees for the same services.
3. For some of the services—current accounts and checks—commercial banks applied commissions in Euro rather than in the local currency, thus exposing consumers to foreign exchange risk.
4. The assessment of transparency indicators showed that not all the commercial banks had a website and, therefore, they had not published their terms and conditions in Albanian. It should be noted that, while some of them are branches of foreign banks, they have an obligation to inform their customers in Albanian since they operate in the Republic of Albania.
5. In some instances the banks were found not to inform their customers of changes to their terms and conditions with regard to services, especially when they increased current account commissions or debit/credit card commissions, thus failing to comply with Regulation No. 59 of 29 August 2008 “On banking and financial product and service transparency”.
6. The comparison with service fees of banks in the region belonging to the same bank groups showed that banks operating in Albania applied higher bank service fees (e.g. fees for closing current accounts, account maintenance, plastic cards) than their sister banks in the region, making it more difficult for customers to avail of such services and change banks.

#### FOR THESE REASONS

Pursuant to Articles 24 (d), 28 and 70 of Law no. 9121 of 28 July 2003 “On Competition Protection”, as amended, the Competition Commission,

#### DECIDED:

1. To recommend the **Bank of Albania to:**
  - a. take measures for strengthening the implementation of laws and regulations on commercial bank transparency, especially where banks unilaterally increase their customer service fees and do not inform their customers of them.
  - b. take measures for increasing commercial bank transparency on bank and financial products and services by imposing on them an obligation to post and

update information on their terms and conditions on their websites.

Increased transparency would give customers more choice and, thus, enhance competition among banks.

2. To recommend the **Consumer Protection Commission** to take the legal initiative for establishing a special structure (Ombudsman) for the protection of consumers against potential bank abuse. The Ombudsman for protecting bank customers should be established as a public authority that would review customer complaints on various products provided by commercial banks.
3. The Secretary-General shall notify this Decision to the Bank of Albania and the Consumer Protection Commission.
4. This Decision shall enter into force immediately.

#### **COMPETITION COMMISSION**

**Servete GRUDA**

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**Member**

**Koço BROKA**

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**Member**

**Rezana KONOMI**

(\_\_\_\_\_)

**Member**

**Lindita MILO (LATI)**

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**CHAIRPERSON**