

3.

PAYMENT OPERATIONS

Activities of CBM in payment operations functions were based on the Working program and Activity plan passed by the Council of the Central Bank of Montenegro. These activities were aimed at the maintenance and improvement of efficiency of payment operations, reform of the system of payment operations, and cooperation with other subjects of economic activities in the Republic. Besides the above mentioned activities CBM – Payment Operations Department operationally carried out a mass voucher privatization (MVP), as well as conversion from DEM to EUR.

Bearing in mind the significance and high level of complexity of all activities in payment operations, special attention was dedicated to the staff and their further advanced training, higher level of working discipline, and full synchronization of some organization units in the “network” of branches.

Significant activities were taken for resolving the social aspects of the payment system (redundant labour).

The basic activities of the Central Bank of Montenegro – Payment Operations were directed towards:

1. preparatory and executive activities for payment operations reform, including transferring nonpayment functions to other institutions;
2. continuity in conducting the regular activities of payment operations in the country, and conducting nonpayment functions;
3. cooperation with other organizational units of the Central Bank of Montenegro in the conversion process (DEM to EUR) during the first and in the beginning of the second quarter of 2002, and finishing the last, IV phase of the MVP project in mid-February 2002.

3.1. Transformation of payment operations

The following activities should be emphasized in the transformation of payment operations:

- a. a precisely defined and worked out concept of transformation of payment operations;

4) The expression “the first phase of transformation” is used in the “Working Program of CBM Payment Operations for 2003” where it is laid out in more details.

- b. practical implementation of the concept was tested through “pilot projects” in banks;
- c. necessary regulations for the first phase of the transformation⁴ were mainly enacted during 2002 and will be completed during January 2003, and
- d. cooperation with authorized institutions and bodies on transforming nonpayment functions to other institutions.

a. The concept of payment operation transformation defines a few necessary concepts on which the first phase of the payment operations transformation is based:

- demonopolization, which is reflected in transferring services (and their income) of cash and cashless money transfer of clients in banks they deposited their money with;
- gradual transferring of the above mentioned services according to the territorial-functional principle, and in accordance with the existing organization of payment operations;
- stimulating commercial banks for taking over the employees of CBM – payment Operations working on money transfer, and
- finishing payment operations activities of CBM for bearers and participants: central processing of payments and conducting payment operations activities for the state bodies and organizations, domestic and foreign banks, international and financial institutions and donation organizations, and all that after taking over a part of activities of the payment operations by the banks.

b. The actual implementation of the transformation concept went on during the whole year 2002, first in the form of testing the concept through “pilot projects” of the banks in Bar and Ulcinj. The complexity of such an approach required special care and the systematization, especially in the technical-technological aspect of the implementation meant that different problems were encountered. Those were, to some point, the reasons why the planned implementation tempo in 2002 was slowed down.

The solving of the above mentioned problems which required additional effort, means that the reality of activities concerning the activities on transfer of

payment operations to commercial banks in the first half of 2003 would be more dynamic.

c. The following regulations concerning payment operations were enacted during 2002:

- Decision on giving and denying approval to banks for conducting payment operations activities in MPS and giro system;
- Decision on minimum standards that a bank has to meet in order to get approval for conducting payment operations activities in MPS and giro system;
- Decision on control proceedings for bearers of payment operations in conducting payment operations activities in MPS and giro system;
- Decision on payment operations in the Republic;
- decision on common instruments of payment operations;
- Decision on opening and canceling accounts in MPS and giro system (payment operations in the first phase of the reform will be fully regulated with the Central Bank's regulations);
- Decision on blank bills;
- Decision on putting blank bills in circulation and
- Manual for recording and executing acceptance orders.

Enactment of these regulations mainly rounded off the regulation framework of phase I of the reform, and finalization of the framework was planned for January 2003, as well as enactment of the following regulations:

- Decision on common plan for the account for conducting payment operations activities in MPS and giro system;
- Manual for operating proceeding which banks use in conducting payment operations activities in MPS and giro system and
- Decision on compensation for conducting payment operations activities in the Republic.

d. As far as transfer of nonpayment functions to other institution is concerned (acceptance, control, classification, processing and information according to annual financial reports) numerous meetings were initiated with representatives of institutions authorized for conducting nonpayment functions. Therefore, minimum standards of balance-statistical recording were defined, as well as bearers of nonpayment functions: the Commercial Court of the Republic of Montenegro, the Directorate of Public Revenues of the Republic of Montenegro, and the Statistics Bureau of the Republic of Montenegro.

3.2. Regular payment operations activities

Regular payment operations activities were directed towards providing continuity of payment operations and smooth working on one hand, and timely adjustment to current social and systematic reforms and accompanying regulations, on the other.

In the year 2002, for the purpose of conducting these functions, most of the staff, the technical, and organizational resources of CBM – Payment Operations were engaged, and most of the work was carried out with a high level of efficiency, security, and protection of data. All payments were made in real time according to RTGS principle (in 3 minutes) when there were no objective obstacles and with previously fulfilled condition – cover in account of users of payment operations and offset account of a trustee bank.

Table 28.
**Number of realized
(payments – pay offs) of
transfer orders and other
orders in CBM – Payment
Operations in 2002**

Review of cashless and cash payments carried out by CBM – Payment Operations in 2002 is given in the following table:

Org. units CBM-PO	Payments at the counter	Payments in post offices	Total cash payments	Payoffs at cash desc of CBM	Payoffs in post office	Total payoffs	Tel ordersi	Transfer orders	Total orders
Podgorica	689.787	724.799	1.414.586	175.714	69.240	244.954	-	6.047.424	7.706.964
Berane	220.594	198.754	419.348	34.699	63.240	97.939	-	689.218	1.206.505
Kotor	350.604	281.173	631.777	62.923	38.669	101.592	-	1.647.646	2.381.015
Niksic	122.577	112.792	235.369	32.792	29.381	61.173	-	759.892	1.056.434
Pljevlja	109.611	57.604	167.215	16.981	23.795	40.776	-	372.840	580.831
Total for 2002 CBM-PO	1.493.173	1.375.122	2.868.295	322.109	224.325	546.434	-	9.517.020	12.931.749

In the domain of the functioning of payment operations and conducting payment

activities in 2002, money flows of economic subjects in the Republic were monitored. Legal persons paid in 2002 in business and other accounts opened with CBM – Payment Operations EUR 6.76 billion. Furthermore, the legal persons paid in 2002 from their accounts EUR 6.64 billion.

The Central Bank – Payment Operations monitored received and given amounts of the legal persons by so called sectors of economic activities (economy, budget, banks, and so on).

In business accounts of economic subjects of the republic CBM – Payment Operations recorded in 2002 collected public revenues to the amount of EUR 487.5 million. Furthermore, CBM – Payment Operations monitored disposition of the same revenues by bearers.

In year 2002 CBM – Payment Operations conducted all its regular activities in domain of outstanding liabilities of economic subjects of the Republic, where 6.336 illiquid legal persons with 83.131 employees were registered.

CBM – Payment Operations monitored liquidity of banks in business and other accounts in 2002. Moreover, CBM – Payment Operations recorded by banks assets for foreign trade payment operations, assets for paying liabilities towards the Republic of Serbia, and mandatory reserve assets in subordinate lots of business accounts of banks.

During 2002, in performing its control function of payment operations, CBM – Payment Operations implemented 15 control operations.

3.3. Activities on euro conversion

When speaking of the conversion from DEM to EUR we would like to remind you that in 2002 CBM – Payment Operations converted the currencies at all of its counters for all legal persons in the Republic, as well as for all physical persons who converted less than DEM 10.000 as it had been anticipated with the Conversion Program enacted by the Council of Central Bank of Montenegro.

In cooperation with other organization units of CBM which were included in this process, Payment Operations regularly supplied commercial banks with sufficient amount of EUR bank notes and coins for the conversion which was conducted in banks in accordance with the same program.

EUR 446.565.095 was converted for legal persons.

At the counters of payment operations 68.240 citizens converted DEM 231.171.117, which makes EUR 118.195.942, while for the conversion for citizens EUR 268.063.246 were provided through advance payments.

All the bank notes and coins in DEM were successively delivered to the vault of the Central Bank for further processing.

3.4. Operative support for MVP process

CBM – Payment Operations, as an operatively authorized institution, in the period 01/01/02 to 02/15/02 finished phase IV of the MVP project. During phase IV receipt and processing of only 579 objections by citizens were made on statements of their privatization accounts opened with CBM – Payment Operations. From the total of 452.825 vouchers given in the previous year there were 0.13% reclamations.

Furthermore, in phase IV of the mass voucher privatization PIFs filed objections for 189 citizens to CBM – Payment Operations. From this amount 164 objections finished negatively, and 25 positively.

After the objections were received positive solutions were carried out and corrections in booking of data were made, and negative solutions were made rejecting subsequent participation of the citizens in the auction (phase III) and changes of personal data in the initial list.

As of 02/15/02 CBM – Payment Operations finished the activities it was authorized for in the subject project.