

## **Dimitar Kostov: The world of finance is becoming more IT**

Address by Mr Dimitar Kostov, Deputy Governor of the Bulgarian National Bank, Banking Department and Fiscal Services Department, before the participants in the 14th Financial IT Forum "The World of Finance is Becoming More IT", Sofia, 19 April 2012.

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Ladies and Gentlemen,

On behalf of the Bulgarian National Bank, I have the honour to congratulate you with the opening of the 14th Financial IT Forum.

This Forum has established itself as an annual opportunity to share experience and ideas, and to view the prospects opened to the financial sector by the information and communication technologies. These results are undoubtedly owing to the organizers of the event, but what is of no less importance is your interest to it.

From the point of view of the business, times are still hard for financial intermediation. In the conditions of volatile international financial markets and an unstable economy, the Bulgarian banking system is coping well with the challenges and remains stable. The levels of capital adequacy and liquidity remain high. Irrespective of the increased impairment costs the banking system continues generating positive results.

It is of no little importance, too, that in these conditions the banking system managed to preserve and even to slightly increase its loan portfolio. In the recent three years the economic activity in the country has contracted by about 3 percent, while the loan portfolio not only did not contract, but grew by about 8 percent.

The results achieved indicate that in this difficult macroeconomic environment the banking system has not only preserved its reliability, but has continued to perform its economic role of financial intermediary.

Another positive trend is especially worth noting, prompted by this Forum. Banks are not focusing only on coping with current issues and obstacles. Regardless of the difficulties, banks are putting much thought and effort into developing and implementing new business solutions and products based on the opportunities offered by the information and communications technologies. New solutions are sought not only in the area of good management of risks and business processes, but also in developing new services and sales channels.

I would not allow myself to give examples from the experience of one or another bank. The Forum will provide plenty of opportunities to find this out for yourselves. I will use as illustration of my words the payment infrastructure. The connectivity achieved by the operator of the main retail payment systems in this country in the past year, presently makes available to the Bulgarian banks the so-called SEPA connectivity to several thousand banks in the European Union. This, on its own part, provides new opportunities for providing reliable and high-quality services to ultimate customers.

As part of my congratulatory address on the occasion of the opening of this Forum, I will allow myself to pose a question, namely the question of the connection between the information and communications technologies management and sales management, or to put it more broadly – marketing.

Neither the new technological solutions nor the financial products developed based on them can sell themselves. And again I would use the payments services as an illustration. In the recent two years our joint efforts ensured the connectivity to TARGET 2, the national system for euro-denominated payments, and its interface with major analogical systems in the European Union. This provides much greater possibilities for payment intermediation at low

cost. At the same time, these possibilities are almost in no way reflected in the banks' marketing and product strategies.

Other similar situations can be identified. Endeavors are made to create a new product, but the efforts needed for developing the necessary infrastructure for its use and marketing, in spite of the efforts and investments made for the latter, may turn to be much greater, as is the case with mobile payments.

I made this small aside comment with the intention to be useful, and not edifying. I am very well aware that the participants in this event are primarily managers and experts in the information and communications technologies. At the same time, it is a well-known fact that maintaining and developing the technological level of financial intermediation is owing to your efforts, but if you are to enjoy the results, you need the efforts of all your other colleagues, to which you are immediately connected.

By way of conclusion I would like to underscore the progress I see achieved in the information and communications technologies, which is not trifling. I also feel that the ambitions are even greater. This is obvious even from the motto of the forum. So I wish you success in your work!

Thank you for your attention!