

Nina Stoyanova: Opening of “Fintech Summit” Conference

Statement by Ms Nina Stoyanova, Deputy Governor and Head of the Banking Department of the Bulgarian National Bank, at the opening of the “Fintech Summit” Conference, organised by Capital newspaper, video conference, 30 March 2021.

* * *

I would like to welcome you to the annual Fintech Summit organised by Capital Weekly.

Until a few years ago the term ‘fintech’ was mainly associated with small innovative companies that by using digital technologies were trying to redefine the provision of financial services and find their own place on the market. Today and even more after the watershed year of 2020, we can assert that technologies and innovations have become an intrinsic feature of the financial sector and a trigger for its rapid developing. Recent trends show expanding cooperation and technical exchange between banks and fintech companies, which is to the benefit of clients, and results in better, faster and more secure services. The coronavirus crisis and expected recovery act as an impetus for further modernisation and digitalisation in response to consumers’ demand and changes in society. In this context, the ambitions for accelerated reforms were also confirmed by the European Commission in the ‘EU Digital Finance Strategy’ and the ‘EU Retail Payments Strategy’ published in September 2020. Almost half a year after their launch, we can already note the first concrete steps in the implementation of the goals set in these strategies.

First and foremost, I would like to focus on instant payments introduced in response to the dynamic development of communications, digital services and e-commerce. Instant payments outline the forthcoming changes in payment infrastructure both in the EU and in the country. Their advantage is the possibility for synchronisation between dispatching of goods and receipt of payment. Transferred funds are immediately available, which enhances the security and trust in business relations and in the payment process. In the EU Retail Payments Strategy, instant payments are called ‘the new normal’. The Commission aims at full uptake of instant payments in the EU by the end of 2021.

In Bulgaria the project of instant payments in the national currency (BGN) is already at an advanced stage. It has been developed by the BISERA6 retail payment system operator-BORICA AD with the assistance of the BNB as the operator of the national RTGS system RINGS. Recently, the necessary amendments have been made to the legal framework and the payment systems. Technical and functional changes were implemented in the BNB-operated RINGS system that ensure a possibility for making instant payments. The license of BORICAAD as the operator of the BISERA6 payment system was updated, thus allowing the system to process instant payments of up to BGN 100 000.

The operator BORICAAD developed the necessary infrastructure that made possible the launch of testing and implementation of the new functionality with market participants. Instant payments are based on the SEPA Instant Credit Transfer scheme. It will be possible for instant payments to be made 24 hours a day within 10 seconds from debiting the payer’s account to crediting the payee’s account and receipt of confirmation by the payer. Instant payments will be settled applying the widely used in Europe pre-funding model. It requires a special account with the central bank, intended only for settlement of instant payments. All banks are expected to be able to receive instant payments by April 2023.

Meanwhile, as a next stage of the same project, the preparation for processing of customer batch credit transfers in the national currency is underway. These payments are based on the requirements of the SEPA Credit Transfer scheme. Customer transfers will be sent by the originator bank in batches for processing by BISERA6 and the pre-funding model will be used for their settlement. This will speed up customer payments that will be credited to the payee account

within less than an hour. Banks in Bulgaria are expected to migrate from credit transfers with predefined moment of settlement (three times a day), to processing of batch payments by the end of 2021.

Preparation of the payment service providers and payment infrastructure for processing instant payments and customer batch payments in the national currency based on SEPA credit transfer schemes would allow, upon the adoption of the euro as a legal tender in the country, for smooth transition of the services without major modifications of the payment systems and banks' internal systems.

Further modernisation and enhanced security of the payment process remains a constant priority across the EU and on national level. One of the main targets continues to be provision of high level of security of remotely initiated electronic payment transactions by ensuring the completion of migration to strong customer authentication for card internet payments. Efforts continue for exploiting the full potential of open banking and eliminating any obstacles in the interfaces of payment service providers. In the same vein is the Opinion of the European Banking Authority on supervisory actions to ensure the removal of obstacles to accessing accounts under PSD2, published in February 2021. In order to address the new developments in financial technology the European Commission has already launched a public consultation aiming at update and amendments of the Settlement Finality Directive¹. In addition, review of other basic legal acts related to payments as the Payment Services Directive² and the Electronic Money Directive³ is expected to start by the end of 2021.

I wish interesting and fruitful work to the participants in the video conference.

¹ Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems

² Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC

³ Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC