

## **Nina Stoyanova: Bulgaria in the eurozone – what is next for the business**

Speech by Ms Nina Stoyanova, Deputy Governor of the Bulgarian National Bank, at the opening of the Financial Forum "Innovations", organised by Association "Bank of the Year", Sofia, 7 June 2023.

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I would like to thank the organisers from the Association 'Bank of the Year' for inviting me to open today's Financial Forum 'Innovations'. Over the years this Forum has established itself as one of the most important events in the area of finance and payments.

The financial sector in Europe and in our country is undoubtedly one of the areas where innovations are advancing most rapidly and have the greatest impact on the dynamics of products and services. Today we see fully digitalised banks, self-service zones, implementation of artificial intelligence, increasingly varied payment instruments and technologies. Developing competition, but also partnership between the Fintech sector and banks fosters the emergence of multiple new, convenient and secure financial and payment products.

At the same time, the policies pursued by national and European regulators have led to a lasting and stable reduction in payment fraud. The data in the recently published report of the European Central Bank (ECB) [1](#) on this subject, covering the period of 2020 – 2021, show that in 2021 card fraud in Europe, as a share of the total value of card payments, reached its lowest level since the start of such statistical data collection in 2008, i.e. less than 0.03%. More specifically, the value of card-not-present fraud (i.e. through virtual POS terminals) declined by 12% in 2021 compared to 2020 in light of the market-wide implementation of the strong customer authentication standards. Another vivid illustration is that fraud via counterfeit cards at physical terminals (e.g. in the form of using forged payment cards at shops and ATMs) declined by 42% in 2021 compared to 2020, and the mass implementation of the chip and PIN enhanced security standards almost eradicated such type of fraud in Europe.

The payment infrastructure in Bulgaria has evolved significantly over the last few years with the aim to implement modern technological solutions and to ensure the security of payments. The preparations for the euro changeover have certainly catalysed and accelerated this process. Market players and the Bulgarian National Bank continue to work intensively on all the projects incorporated in the National Euro Changeover Plan of the Republic of Bulgaria. All the activities are running according to plan, and the payment infrastructure in the country is expected to be ready to join the euro area by the end of 2023.

The project for ensuring full reachability within the Single Euro Payments Area (SEPA) for credit transfers in euro from/to Bulgaria will be brought to completion by the end of this year. Preparations are ongoing for the implementation of instant credit transfers in euro as a continuation of the already implemented instant credit transfers in levs. The migration of budget payments to the SEPA standards, planned to take place in October

2023, will finally bring the payment infrastructure in alignment with the SEPA standards. As a result, customers will be able to benefit from faster and more secure payment transactions.

The innovations in the payment services segment are clearly visible in the statistical data that we have. For yet another year, the trend of increasing basic indicators of payment services, and mostly of those provided electronically, is confirmed. In 2022 the number of cashless customer payments conducted in the country rose by around 1/4<sup>th</sup> relative to the previous year. The number of payments with cards issued in Bulgaria went up by nearly 1/3<sup>rd</sup> compared to 2021. Also, there was impressive growth in the number of initiated e-money payments in 2022, by more than 40% compared to 2021.

We can outline several segments whose development would have an impact on payment processes in the medium term.

First of all, this is the development of central bank digital currencies. A 2021 survey of the Bank for International Settlements [2](#) shows that nearly 90% of the central banks in the world are exploring the potential of digital currencies, and 14% are devising pilot projects. Especially interesting is the development of such a project in China over the last few years, where the digital renminbi is undergoing public testing in certain areas of the country. The development of central bank digital currencies is driven by significant factors, one of which is the fact that cash is being used less and less as a means of payment. Central banks should respond to the continuing digital transformation of the business and the evolution of payment instruments, and also to the possibility of global corporations with immense client bases developing their own private digital means of payment. With regard to the digital currency projects of central banks, the Managing Director of the International Monetary Fund, Ms Kristalina Georgieva, says in one of her statements in 2022 [3](#) that 'the history of money is entering a new chapter'.

As a future participant in the euro area, we are following the European Central Bank's digital euro project, whose exploratory phase ends in October this year. This project is taking on more and more concrete dimensions and it looks like it will continue to develop. Working groups have been established to develop rules (Rulebook) relating to the digital euro scheme, its use as a payment instrument, liquidity management, etc. Work is also underway on a specific legislative proposal of the European Commission on the digital euro, which may come up as early as the summer of this year. It is expected to clarify also the potential status of the digital euro as legal tender. In order to guarantee the function of financial intermediation that banks have in the modern economy, the implementation of a limit on the funds that individuals will be able to hold in a digital euro account with the central bank is being considered. The digital euro has the potential to create the basis for integrated European retail payment and cross-border settlement solutions, as well as many additional innovations – e.g. tokenised deposits, smart contracts, conditional payments, etc.

Another important element on a global scale is the development of crypto-assets and their regulation. In the middle of May this year, the Council of the European Union finally adopted the final texts of the Markets in Crypto-Assets Regulation (MiCA); thus the European institutions developed and adopted a large-scale and detailed legal framework for the crypto-assets market in Europe, having in mind that there are still very few attempts at regulation in this area. At the same time, a new Regulation on

information accompanying transfers of funds and the transfer of certain crypto-assets was adopted, which will achieve better traceability of transfers of crypto-assets and anti-money laundering. The MiCA provisions on 'stablecoin' crypto-assets will start to apply in July 2024, and the remaining regulations on general crypto-assets, which do not have a stabilisation mechanism of their value, and on crypto-asset service providers – in January 2025.

Next, we expect the implementation of the measures envisaged in the Eurosystem's Retail Payments Strategy<sup>4</sup>, published by the ECB in 2021. An important aspect here is the development of instant payments in euro. One of the main objectives is to promote the creation of European retail payment solutions that are secure and efficient, and also as a response to the growing challenges to the European independence in the field of payments. The spread of instant payments in Europe is expected to continue, as is the establishment of infrastructure to accept instant payments initiated by customers via smartphone applications on physical POS terminals at merchants. In this regard, the so-called European Payments Initiative<sup>5</sup> (EPI) was created, which aims to develop payment alternatives in Europe, including through a digital wallet based on instant payments.

The review of the Second Payment Services Directive is also gathering serious speed, and after the directive has been into force for more than five years, a legislation package for the revision of PSD2 is expected to be announced in the summer of 2023. This package is expected to contain a revised Payment Services Directive (i.e. PSD3) and a proposal for a new Payment Services Regulation. In addition, a new legal framework for open finance will be developed, which will build on the existing regulations in the PSD2 on open banking, which shows good development, including in our country. The purpose of such a new legal framework would be to allow, with the customer's consent, their data falling outside the scope of PSD2 to be shared and reused by financial service providers to create new and improved services.

The financial services and payments sector in Europe and in our country has traditionally been developing intensively and upwardly in recent years, driven by both innovation and the development of European regulations, which create a favourable environment for competition and security of consumers. The measures related to the introduction of the euro favour the faster and more efficient integration of the financial market infrastructures in our country with those in the euro area.

I wish interesting and fruitful work to the participants in today's financial forum.

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<sup>1</sup> [ECB Report on card fraud in 2020 and 2021](#), May 2023.

<sup>2</sup> <https://www.bis.org/about/bisih/topics/cbdc.html>

<sup>3</sup> <https://www.imf.org/en/News/Articles/2022/02/09/sp020922-the-future-of-money-gearing-up-for-central-bank-digital-currency>

<sup>4</sup> [https://www.ecb.europa.eu/pub/pdf/other/ecb\\_eurosystemretailpaymentsstrategy~5a74eb9ac1.en.pdf](https://www.ecb.europa.eu/pub/pdf/other/ecb_eurosystemretailpaymentsstrategy~5a74eb9ac1.en.pdf)

<sup>5</sup> <https://www.ecb.europa.eu/paym/intro/news/html/ecb.mipnews230425.en.html>