

Financial Supervision Commission - committed to sustainable results in digitalisation, green investments and regulatory amendments



Boyko Atanasov
Chairman of the Financial
Supervision Commission

In the context of post-Covid pandemic, the global digitalisation, the European Green Deal, the outbreak of military actions in Ukraine, and on the threshold of our accession to the Eurozone, the Financial Supervision Commission (FSC) continues to work for the continuous stability of the insurance market in Bulgaria, for establishing innovations in the regulation of capital markets, as well as, for complete austerity measures and absolute transparency of the actions and processes of the pension insurance market.

The development trend of the capital market is in the direction of digitalization and creation of conditions for more participants and reduced administrative burden. The positive interconnection between innovation and financial technology has already changed the appearance of the typical consumer behaviour and thinking, and this process has led to new opportunities for the implementation of optimized business models. At the same time, we, the financial sector participants, have the mission to analyse and forecast the potential risks. In this direction precisely, the FSC focuses its activity to balance between the promotion of innovation by the investment companies and the consumers' protection from the negative aspects that the new online space implies.

In view of achieving results regarding the adopted development strategy, the Financial Supervision Commission went through specific steps such as evolving the financial literacy of the financial services' consumers and investors, improving the communication process by holding regular meetings with FinTech companies to discuss minimum risks and maximum benefits from technology, promoting development of startup companies by activating the possibilities of the created Innovation Hub, as well as, adapting the new regulatory framework for collective financing. Together with the participants of the non-banking financial sector, we create a sustainable and favourable environment for innovative business with an emphasis on the need for partnership between the national regulator and the business.

Dynamics in technology development and digitalisation play a key role in changing consumer attitudes and growth expectations. The role of the FSC is to provoke the achievement of synchronicity between the regulatory requirements and their implementation in the digital environment, with the ultimate goal being to reduce the administrative burden. Part of the concrete results are

the functioning Innovation Hub, the providing of a single point of contact with FinTech companies and the amended regulations for accessibility of small and medium enterprises to the capital markets. The mobile application of the FSC, the establishment of a unified information system for submitting and receiving information from supervised entities in electronic standardized format are in the process of creation.

One of the most important developments in the current situation is the proposal of the European Commission to introduce the European single access point (ESAP), the framework, which would integrate innovations in order to reduce administrative burdens. Its aim is to provide centralised public access to all the necessary information in terms of financial services. The ESAP aims at providing easy, fast and comparable access to data on European companies for the investors, thus facilitating the access to financing of European companies. ESAP is expected to contribute to the further integration of financial services and capital markets within the EU single market and to promote the development of smaller national capital markets and economies by providing greater visibility for them. FSC, in line with the European Commission, will ensure the application of the future legislation and will create conditions for the realization of the ESAP project.

The “Green Deal” is another topic of great importance for both FSC and the EU. Environment, social responsibility and transparent governance are already an integral part of the strategic programs of the institutions and regulators in Europe. In accordance with the objectives of the EU, at national level FSC provides support through concrete actions in directing national and European financing sources for more sustainable economy, planning instruments for post-crisis business recoveries and balancing regional development.

I do believe, and I see the concrete results, that the Bulgarian regulator in the non-banking financial sector strategically arranges its actions in supporting the achievement of the “Green Deal” goals. In this line of thinking, all of us, as a society, have the responsibility of focusing on renewable energy, energy efficiency, green buildings, clean transport and products created by the circular economy. Following the adoption of the European Green Deal, FSC’s focus will be on financial risks to institutions and the financial system, as well as on sustainability risk (ESG risks).

When it comes to achieving sustainable targets, examples are always important. Green bonds are an appropriate financial instrument for large-scale sustainability projects, by giving access to a stable instrument for financing EU-taxonomy compliant green projects. On the other hand, investors in such bonds will be able to more easily assess and compare the sustainability of their investments, which will reduce risks and strengthen their confidence in the market. The new EUGBS voluntary standard will be open to all EU and non-EU issuers, including corporations, financial institutions and issuers of covered bonds and asset-backed securities, as well as governments and other public authorities.

In this regard, the challenges for the FSC to exercise its supervisory powers over capital market participants in compliance with the requirements set out in the Sustainable Finance Legislation Package, namely the Sustainable Finance

Disclosure Regulation (SFDR), the Climate Benchmarks Regulation and the Taxonomy Regulation, are essential.

FSC is also a major participant in the process of creating the National Plan for the Introduction of the Euro in Bulgaria. The vision of FSC for this key process for the Bulgarian economy includes systematization of the necessary measures and actions in connection with the currency conversion of financial instruments. We intend to carry out the necessary monitoring of the expected stages for the adaptation of the clearing and settlement systems to work with the euro.

In the context of the current complicated international situation caused by the war in Ukraine, as well as the sanctions and restrictions imposed by the EU, USA, Canada and UK, upon the Russian Federation, the Russian Central Bank, and on various credit institutions, companies and natural persons, the FSC took prompt measures, as it published recommendations and guidelines addressed to the investment, insurance and social insurance sectors, through which it demanded from them to exercise extreme caution and perform intensive risk management policy before start investing in financial instruments issued by issuers connected to the Russian Federation.

The challenges we rise to, provoke our caution and concentration when trying to attain the goals set in order to enhance the consumer protection as well as to encourage the investors in a stable, well-regulated and transparent non-banking financial sector.

Against the background of this worldwide transformation, the FSC commences a new strategic period from 2022 to 2024. The change for the regulatory body includes long-term planning, a strong expert team, as well as decisiveness for developing innovations in the sphere of digitalization and the regulations on capital market development. The whole process will go along with a constructive dialogue which is planned to be conducted with all interested parties in the processes regulated by the FSC.

An important aspect of the development of the Bulgarian capital, insurance and social insurance market relates to the active and effective business communication aimed at developing conceptions and sustainable strategies. The goal we pursue is to provide predictability of our actions and to act impartially when taking decisions concerning the development of Bulgaria.



Investing in financial literacy is a priority for Bulgaria and for the banking sector



Ivaylo Iaydjiev
Deputy Minister of Finance

The financial literacy is the skill to manage better our own resources, to take the right decisions and manage better our future. It is related with financial stability as when a society is financially literate the whole financial system functions more smoothly and it is more stable. The significance of financial literacy stands out stronger during the pandemic in the last two years.

The financial literacy is important not only for the citizens and for the households. It is also a priority for the different financial institutions, incl. the banks that are interested to provide services to clients who know how and what to do with their money.

The investments in improving financial knowledge and skills are investments with a high return despite the fact that efforts and funds on a long-term basis are necessary in order to have a real result from them.

No less challenging is the process of digitalization which has already covered all aspects in our life. It is related with a number of possibilities, incl. new financial products and services but also with challenges that are currently unknown. Many goods and financial services are at one click distance which is convenient but there is also a risk from increasing indebtedness. For that reason, everybody should know how to manage his/her own finances skilfully.

Initiatives and activities in the field of financial literacy have been actively developed in Bulgaria for almost two decades. These efforts are more systemic and concentrated in the recent years. The role of the Ministry of Finance is to coordinate those processes by working actively with more partners in the country and abroad by defining financial literacy as one of the topical priorities in Bulgaria.

In performing those aims the first National Strategy for Financial Literacy and an Action Plan for the period 2021-2025 were developed. Both documents were adopted by the Council of Ministers in February 2021. Few weeks ago, we reported the activities that were performed in the first year after the adoption of both documents.

For the creation of the Strategy and the Plan we have the support of the Organization for Economic Cooperation and Development and the Ministry of Finance in Netherlands as well as from other government, regulatory and non-government organizations.

The Association of Banks in Bulgaria and its members are one of the main partners contributing to increasing financial literacy, encouraging the measures

for financial education and achieving higher financial stability. Bank clients receive update information for the management of their funds as well as for the most common online frauds and advices how to protect themselves.

In order to be successful, the targeted efforts of all involved organizations in the field of financial literacy the Ministry of Finance is planning to create till the end of 2022 financial literacy portal. The existing information is going to be systemized in the portal as well as practical advices and instruments for financial planning are going to be published.

Another priority is the development of a framework for competences for adults and youth in the field of financial literacy. In that task we are supported by the common EU efforts for establishing similar frameworks.

I am confident that the Ministry of Finance and the Association of Banks in Bulgaria are going to continue their fruitful cooperation in the field of financial literacy in order to establish sound foundations for the modern development of the economy and our country.



The digital future of banks – what’s next



Tzvetanka Mintcheva
Deputy Chairperson
of the Executive Board of the ABB
Chairperson of the Management Board
and Chief Executive Officer
of UniCredit Bulbank

Even the shortest commercials slot on a randomly chosen TV channel cannot go without showing at least two to three digital financial services. For marketing experts working in banks each day it becomes increasingly difficult to think of ideas about what else to digitalize to make customers happy and provide the desired competitive advantage for the institution they work for.

In a very short time, largely due to the unexpected outbreak of the COVID-19 pandemic two years ago, banks made it possible for customers to use all the banking products they need from the comfort of their own home. Within only a few months, not only accounts and wallets became digital, but also whole processes such as becoming a customer of a bank, taking out a loan – initially consumer loans and now also mortgages.

Fortunately, now the virus is subsiding and we seem to be on our way back to return at least partially to our past life. However, no backing off is expected in the pace of digitization of banks – first because we have already shown our customers the unlimited convenience of mobile banking and second, because the Bulgarian banking sector has always been characterized by its striving to be innovative and in no way, it is giving up to the banking sectors of more advanced economies. No less significant is the fact that the traditionally strong competition between banks in Bulgaria has been further intensified by completely new players – fintech companies, which also have a number of advantages, including the speed of their developments (i.e., time to market).

What will then be the next steps of the banking sector is a question that all of us working in it certainly ask ourselves.

Digitalization of processes

Digitalization at a high speed will continue, this is undeniable. There are still untapped opportunities in products and services, the scope of which could be extended in particular to more offers for corporate clients. However, the greater potential for development is in processes. In processes, digitalization will boost their mandatory simplification and thus can be the key solution for banks to optimize their operations. Therefore, many and diverse projects to simplify processes are underway in all banks. No matter what we call them – Agile, End-to-end or any other name – the solutions being developed have the sole purpose of: not hiding a long and cumbersome process behind the attractive and convenient interface we offer our customers. Digitalization is our chance to become more attractive not only to consumers but also to our employees by automating at least part of the most labor-intensive activities.

Sitting on a gold mine

If we have to name a major advantage of banks over all other players now entering the financial sector, this is the data of our customers that we have. This is true wealth, which we have accumulated in the process of building long-standing relationships with the people who have trusted us.

Banks have an enormous amount of information about their customers, and the development of new technologies makes it possible to use this data to better understand customers, so that they are not simply offered better products and services, but truly personalized ones, depending on their preferences and needs.

Of course, having all this data, banks are also responsible for protecting it. So, the future of digitalization necessarily goes hand in hand with greater attention and focus on cyber security. It is not a secret that the more technology develops, the more creative fraudsters become. However, banks have built and deserved customer confidence and have always been synonymous with security. And this will continue to be the case.

People and Investments. First and foremost: Investing in people

Drawing the map of the digital future inevitably involves ensuring two main resources – a planned budget and attracting professionals who are able to realize the bold plans. One of the most successful practices to make sure we have enough staff is to involve the business and develop joint programmes with higher education institutions, as well as investing in further training of colleagues already engaged in the banking sector.

The last couple of years have provided rather convincing evidence of how unpredictable the future is. Technology development will also offer surprises. Yet, the banking sector is well equipped to carry out its digital transformation so that it **creates growth opportunities** – for customers, shareholders, employees and the country's economy as a whole.



IN BRIEF

■ The annual General Assembly of the ABB took place on the 28th of March 2022 as Ms. Diana Miteva – Executive Director of DSK Bank AD was re-elected by the General Assembly of the ABB for a second three-year term at the Executive Board of the Association and continues to be the Chairperson of its governing body.

Ms. Tsvetanka Mintcheva – Chief Executive Officer of Unicredit Bulbank AD, was elected as a new member of the Executive Board of the ABB and as a Deputy Chairperson of the governing body of the Association.

Mr. Nikola Bakalov, Chief Executive Officer of First Investment Bank AD and Mr Sava Stoynov, Executive Director of Central Cooperative Bank AD, were elected as new members of the Executive Board of the ABB for a first term.

Mr. Georgi Zamanov, Chief Executive Officer of Allianz Bank Bulgaria AD, was re-elected for a second three-year term as a member of the Executive Board of the ABB.

Ms. Petya Dimitrova, Chief Executive Officer of Eurobank Bulgaria AD and Ms. Desislava Simeonova, Executive Director of UBB AD, continue their membership at the Executive Board of the ABB, within their mandates.

At their request, Mr. Oliver Roegl – Chief Executive Officer of Raiffeisenbank /Bulgaria/ EAD and Mr. Georgi Konstantinov, Executive Director of Central Cooperative Bank AD, were dismissed of their membership at the Board of the ABB, and the General Assembly expressed gratitude and praised their work as members of the Executive Board of the Association.

■ In March BNP Paribas Personal Finance, S.A., Branch Bulgaria became an associate member of the ABB after their membership request was approved by the Executive Board of the ABB.

■ In March at a meeting of the Capital Markets Committee at the Executive Board of the ABB Mrs. Daniela Georgieva, Head of Custody sales and RM, Capital Markets Division at Eurobank Bulgaria was elected as a Deputy Chairperson of the Committee by unanimous vote of its members.

■ In March the ABB appointed for participation in the Working Group on the National Plan for the Adoption of the Euro at the BNB, which discusses the migration of budget payments, as main members: Mr. Emil Hristov, Chairman of the Payment Systems Committee at the Executive Board of the ABB, DSK Bank EAD and Mrs. Milena Ananieva, member of the Payment Systems Committee, CCB AD. The following people have been appointed by the

Executive Board as substitute members at the Working Group: Mrs. Petya Buradzhieva, Deputy Chairperson of the Payment Systems Committee, UBB AD and Mr. Radoslav Daskalov, member of the Payment Systems Committee and a member, as the ABB representative, of the WG on the evolution of SEPA schemes at the European Payments Council /EPC/, Eurobank Bulgaria AD.

■ In March the ABB appointed Mrs. Borislava Dimitrova to participate, as a representative of the ABB, in the Working Group Non-Banking Financial Sector at the Coordination Council for Preparation of the Republic of Bulgaria for the Eurozone Membership. Mrs. Dimitrova is a Chairperson of the Capital Markets Committee at the Executive Board of the ABB and Senior Manager of Institutional Sales and Stockbroking at Unicredit Bulbank AD. Mrs. Dimitrova will replace the current ABB representative in the Working Group – Mr. Yavor Dojdevski, due to his departure from the banking system in Bulgaria.

■ In March the ABB nominated Mrs. Daniela Georgieva, Deputy Chairperson of the Capital Markets Committee at the Executive Board of the ABB and Head of Custody sales and RM at Eurobank Bulgaria AD, as its representative in the Users' Committee of the Central Depository AD in place of the current representative of the ABB in the Committee – Mr. Yavor Dojdevski.

■ In March in the ski resort of Bansko, under the auspices of the Association of Banks in Bulgaria, for the ninth time was held the traditional “Banking Ski Fest”, organized by the Bulgarian Workers' Federation “Sports and Health”. 120 representatives of banks, the BNB and partner companies took part. Competitors from Allianz Bank Bulgaria, Bulgarian Development Bank, Bulgarian National Bank, Investbank, First Investment Bank, Tokuda Bank, Unicredit Bulbank, Eurobank Bulgaria and their competitors from partner organizations and companies competed in the giant slalom ski and snowboard and parallel slalom ski and snowboard disciplines. The participants from the banks won 10 gold, 8 silver and 14 bronze medals in individual and team competitions.