

Financial instruments and programs for the benefit of businesses and citizens - the experience of banks



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In 2022 the banking sector in the country remains stable, profitable, with high levels of capital adequacy and liquidity in the context of the recovery of the economic sectors from the COVID-19 pandemic and the challenges in the economic, external and regulatory environment, caused by the consequences of the war in Ukraine and the expected developments in terms of the economic and interest rates cycle.

As it is well known, due to the initial shock of COVID-19 in 2020 and in the process of the recovery of the economy in 2021, with their expertise and quick response, the banks joined various types of government programs aiming at granting loans to individuals and micro, small and medium-sized enterprises as their activities continued in 2021 and for some of them even in 2022.

The banks agreed the basic parameters for programs to support companies and households and financial instruments with established partners, such as the Bulgarian Development Bank (BDB) group, the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds), the European Investment Bank (EIB) group, including the European Investment Fund (EIF) and others.

By helping to introduce new financial instruments and programs to the market, the banking sector proved to be part of the solution at a time when bank customers were in a sharp need of liquidity and funding. In parallel, as it is known, in 2020 and 2021 banks provided relief to businesses through the BNB-approved Procedure for Deferral and Settlement of Liabilities, and they continued to offer the already established financial instruments in the market and responded to the increased demand for loans.

Being the main financial intermediaries in the economy, the banks have been successfully offering for years financial instruments and promoting various types of financing programs, including EU operational programs. The financial instruments aim to facilitate access to finance for micro, small and medium-sized enterprises on more favourable terms, providing flexibility to the final recipients.

A number of advantages of financial instruments can be pointed out. They enable the mobilization of additional public and private funds to complement the initial public financing. The provided capital has a revolving character, which allows any financing through such instruments to be used more than once.

In the case of financial instruments, it is possible to grant both smaller loans and larger loans - depending on the needs of the respective business. This ensures that the distribution of funds reaches more customers, regardless of the size of their business.

There are different types of financial instruments – equity and debt; loan guarantees and venture capital; capacity building and risk-sharing financing, as well as a combination of these varieties. Financial instruments are implemented in partnership with public and private institutions, such as banks, venture capital investors or “business angels”. These financial institutions namely determine the exact conditions for financing, such as the amount, term, interest rates, fees and others. The high liquidity of the banking sector implies the application of financial instruments in the form of credit enhancements - guarantees, financing with risk sharing and others.

In this way, as well as thanks to the minimal administrative burden, the eased conditions for access to financing and shortened loan approval periods many small and medium-sized companies were encouraged to apply for those loans.

The financial resource that is granted through the instruments is provided under easier conditions for the borrower than the market ones, which is the main idea of this type of financing. An example of this is the “Recovery” Program, through which companies have access to unsecured loans in a significant volume, and the deadline for including loans in the guaranteed portfolio is until the 30th of June 2022.

In addition to the flexibility, transparency, lack of subjective evaluation and less bureaucracy, the financial instruments provide better competitiveness in the evaluation of the project proposals. Clients of the banks who received financing through financial instruments or support programs receive professional expertise, security in service and accountability by their bank. Accordingly, through the accumulated experience, banks also notice that businesses proactively seek financing opportunities through the financial instruments that are offered.

For their part, the banks constantly give feedback in the form of proposals for improvements in the parameters, with the aim of improving the financial instruments and programs, if necessary. This makes it possible, for example, to expand the range of eligible final recipients and more activities to be funded, which further increases the interest of the businesses.

From this point of view, the speed of reinvestment of the provided resources is improved, with a multiplier effect for business and the economy. The multiplier effect of the financial instruments or the additional private capital required to co-finance a particular investment is in many cases more significant than the instruments themselves. Separately, there is no obstacle to combining financial instruments with grants.

Positioning its role in financing the economy, in 2022 the banks continue with

their active policy and presence in terms of lending and various forms of financial intermediation, diversifying the products and services they offer.

The banking sector has positive expectations after the final approval of Bulgaria's Recovery and Resilience Plan. The Recovery and Resilience Plan is an example of the active role that banks will play in the coming years to meet their customers' demand for new investments, technological transformation and modernization, "green" and digital transition and business growth.

At the same time, the banks are ready to actively offer financial instruments under various types of operational programs in the new program period, with the aim of successfully establishing them on the market and achieving even wider recognition by the businesses. In this sense, banks will continue to be involved in the development of new financial instruments and be, as until now, a reliable partner of the state, institutions and their numerous clients.



Bulgarian stock exchange and banks in the vanguard of introducing sustainable ESG policies and practices in Bulgaria



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Seven banks are already active partners in the Centre for Sustainable Finance and Energy, created at the initiative of the BSE

Bringing the goals of sustainable development as a top priority on the agenda of Europe and the world and launching a proactive policy related to the achievement of these goals turns them gradually into part of the agenda of the various economic entities and affects the entire spectrum of their economic activities. Assessing and bringing awareness on how business and value chains impact the achievement of the Sustainable Development Goals, among other positive effects, helps better manage risks and engage stakeholders.

Stock exchanges, as a mechanism inextricably linked to directing capital flows and investments in a certain direction, must also take their due role in this process by creating the necessary standards and conditions to stimulate sustainable investment.

This year, the BSE announced its intention to create an index to monitor the performance of the most sustainable Bulgarian public companies. Following established models, the Bulgarian stock exchange sought the partnership of one of the world's most renowned organizations, suppliers of data related to sustainability – Refinitiv, part of the London Stock Exchange group. Refinitiv will calculate and provide the BSE with ESG ratings for the sustainability of Bulgarian public companies according to an internationally recognized methodology. The ratings calculated by Refinitiv will be used as criteria for selecting the components included in the index. The ratings of Bulgarian companies will also be available in Refinitiv's information database, which will make ESG information about them visible to major foreign investors. The expectation of the BSE is that the methodology of the index will be finalized by the end of 2022.

The partnership with Refinitiv is another stage of the companies' sustainable development plan, which the BSE has been following for the past year, and several important steps have already been taken.

First of all, at the beginning of last year, the Stock Exchange joined the UN Sustainable Stock Exchanges Initiative (UNSSE), thereby officially declaring its commitment to sustainability issues. Through the UNSSE, the BSE had also the opportunity to exchange experience and transfer good practices, both from the organization's experts and from other market operators.

Another BSE initiative related to the introduction of sustainability topics into the country's economic agenda was the creation in March 2021 of the [Green](#)

[Finance & Energy Centre](#). The centre is conceived as a think tank for policies in the fields of sustainable finance and energy, which will lead the public debate on these topics in the country. The centre also sets itself the ambitious goal of partnering with the government in the development and completion of the legislative framework and the implementation of specific policies to change the environment. As a think tank, the main direction of its activity is to analyse the environment related to the understanding and implementation in corporate practices of sustainability in its three directions - environmental, social and related to corporate governance. Seven banks are already active partners in the work of the Centre - Bulgarian Development Bank, European Bank for Reconstruction and Development, ING Bank, United Bulgarian Bank, Post Bank, UniCredit Bulbank and Central Cooperative Bank.

In cooperation with the Green Finance & Energy Centre, BSE also developed the country's first [ESG Reporting Guidelines](#). They are aimed both at public companies on the Bulgarian market and at all other companies that wish or are obliged to follow such behaviour. An important clarification is that the Guidelines do not aim to introduce additional requirements for companies regarding the reporting of ESG data, beyond those already legally established in the national and European legislation. They are based on the leading and generally accepted methodologies and principles for the disclosure of sustainable information (GRI, SASB, CDP etc.) and aim to give concrete support to companies in the process of disclosing quality and essential information.

This year, in partnership with the German technology company Plan A, BSE also developed the [Oxygen](#) platform, which enables companies to disclose non-financial information in a structured form and in accordance with European and national regulatory requirements for reporting. The platform processes primary data for the relevant company and enables the information to be visualized in various formats, including automatically generating a non-financial statement in pdf format, in which the submitted data is graphically presented. Clients of the platform fill in the source information themselves, divided into six modules – Basic Information, Corporate Governance, Environment, Social Affairs and Employment, Human Rights Protection and Anti-Corruption. An important part of the platform is the built-in calculator for calculating Scope 1 and Scope 2 emissions, and the methodology used is certified by the world leader TÜV and it is in accordance with the established GHG protocol.

All the initiatives listed above highlight the desire of the BSE to put the local capital market on the map of sustainability by expanding the available information for the Bulgarian public companies. On the one hand, the Stock Exchange provides guidelines and methodology and it facilitates the reporting process. On the other hand, the BSE creates an opportunity this information to fall into the view of the global data providers, is also by planning to create the first index that monitors the performance of the most sustainable Bulgarian public companies.



We have the resources to meet banks' ambitions for rapid digitization and outsourcing



Miroslav Vichev
Chief Executive Officer
BORICA AD

Digital payments transformation – from simple transactions to multi-channel interactions with users – this is undoubtedly the leading topic and direction of the development for companies in the financial sector today.

Through their projects, the teams of BORICA AD and the National Card and Payment Scheme (NCPS) are working hard to help payment service providers take concrete strategic steps and position themselves successfully within the fast-changing and sometimes chaotic world of digital payments.

The membership of BORICA AD in EMPSA – the European Mobile Payment Systems Association allows it to develop its digital strategy in sync with the best practices of other European countries, and thus its systems will be fully compatible with their applications. EMPSA promotes cooperation among its members to establish an international use of mobile payment systems from which benefit not only the payment service providers, but most importantly the merchants and consumers themselves.

In 2021, along with the goals for the mass launch of **instant payments** in the form of credit transfers, the migration of non-budgetary payments to the new infrastructure of BISERA6 was successfully implemented – as bulk payments according to ISO 20022 XML, executed according to a prepaid settlement model, which gives the possibility of processing them in a very short time. In an effort to offer services 24/7/365 and in fractions of a second, participants will be given the opportunity towards the end of 2022 to use a Stand-In service for continuity of payments. Participants in the Instant Payments Program will also be able to count on a service offering checks in restrictive lists (Sanction Screening) and one for the prevention and monitoring of fraudulent transactions (Anti-Fraud) at the beginning of 2023, and the service for ensuring connectivity between an account and a mobile number (Mobile Lookup) is due to go live later this year.

Participants in the Instant Payments Program have chosen different approaches to offer the Blink service to end customers:

- with some it is an option – at the customer's choice, along with BISERA and RINGS transfers;
- others have chosen a competitive approach – all customer-initiated interbank transfers at the amounts up to the limit regulated by the NCPS (BGN 30 000) should be processed as Blink instant payments.

Regardless of the approach chosen to enforce the service, statistics show that the total number of instant transfers for the month of June alone was over 16 000 with the fastest being completed in 0.727 seconds from the moment of its receipt in BISERA6. It is important to mention that the total volume of

payments marked a significant growth after the inclusion of a PSP, which chose to implement instant payments by default – thus, in the month of June, instant payments increased nearly 8 times.

As part of the Instant Payments project over the past year, the operation of the National Card and Payment Scheme has been expanded with the Blink Program for mobile payments.

Instant payments by mobile number will be offered to end customers in the mobile applications of the payment service providers (PSP) under a unified national standard for all users, with simple and one-time registration for each mobile device. Such is the concept of positioning the service, with the aim of reaching a new level of service – speed and reliability, in line with the modern customer behaviour and expectations, not just a service, but an experience and interaction. Several pilot institutions are currently preparing to launch the service, representing over 60% of the market. In the coming weeks, an expert working group for marketing positioning of the new service under the Blink brand will be created at the NCPS, and the communication with the client at the national level will be outlined.

The next stages in the Blink Program – instant payments in BGN, are related to the offering of value-added services for consumers, the so-called Self-service – such as paying for hourly parking in paid zones over the phone, making payments with merchants, paying for vending machines, sending amounts for charitable causes, prepaying subscription cards for public transport. This type of value-added services will give NCPS participants access to new market niches where uniform standards for digitization and payments are lacking, and the potential is very high. BORICA has advantages such as experience and know-how to make the user experience exceptional and bring customers back to the banks and the PSP through the mobile application.

One of the technological solutions, the most active users of which are financial institutions, is remote identification for onboarding and receiving various financial services entirely online. BORICA offered a service without analogue on the Bulgarian market – **identification through a web browser** (on a computer or mobile device), which does not commit the client to downloading additional applications. All you need is an internet connection and a camera on your chosen device. Several integrations with companies from the financial and insurance sectors have already taken place.

Another innovation introduced by BORICA for the sector in 2021 is the so-called **SoftPoS**. The software solution turns an Android-based device with NFC into a POS terminal, providing contactless payments to merchants. Here, the time to provide the service to the merchant, and hence to the end customer, becomes extremely short – a few hours or even minutes. The service has a number of advantages – it is applicable to all types of merchants, as it allows entering a PIN code for over-limit transactions, without the need to install an additional device. This makes it extremely suitable for small and medium-sized merchants

and others. There is already a bank in our country that has offered this digital innovation to its customers.

The Company reports increased interest from banks and payment institutions in **outsourcing services**. The most popular among them are outsourced card services for managing terminals – both POS terminals – physical, software and virtual, as well as ATM terminals. The advantages of this type of service are increasingly appreciated – reduced investment costs for the purchase of hardware, software, licenses, for performing integration, reduced operating costs for certification of the devices themselves, for providing the resource necessary for their maintenance and subsequent service, a faster way to provide services to customers - the so-called fast-to-the-market and others.

Just a month ago, the company presented to the banking community another new and demanded by the Bulgarian market service – **BORICA Analytics**. The solution is a web-based platform that enables the collection, aggregation and in-depth analysis of card, terminal and transaction data in real time. The success of this project depends largely on the commitment of the banks, their willingness to share their data, as well as to take advantage of the many functionalities of the platform. BORICA believes that it can become a valuable tool in making timely and informed decisions about market positioning for any financial institution.

The solution already known to banks related to open banking – Multibanking Hub – has also been upgraded and it is offered under the name **Smart Hub**. The service allows quick and easy integration of banking (financial) data in their digital channels, and the services are available in a real environment and in real time. The functionalities available to end customers (private and corporate) are offered in the form of modules, with each organization deciding for itself how to structure the solution, depending on its business needs. The main modules are: “Account Information”, “Payment Initiation” and “Consent Management”, including the following operations: management of Consents (renewal, cancellation, delegation to more than one customer), data extraction from accounts in different banks and their preservation, interpretation of the data provided by the banks, transaction data, management of multiple users and their access to accounts from the client side, without the involvement of an administrator, microservice infrastructure with opportunities for implementation in the cloud or on-premise and others.

All this speaks eloquently about the sector – the opportunities for digitization are many, the ambitions are great, the customers are demanding, and the only way for projects to be successful is close cooperation between all market players – banks, financial institutions, and regulatory authorities.



The logo features the number '30' in a large, bold, grey font. A red rectangular box is positioned below the '0', containing the word 'YEARS' in white, uppercase, sans-serif font.The logo consists of the text 'association of banks in bulgaria' in a lowercase, sans-serif font. The word 'association' is grey, 'of' is grey, 'banks' is red, 'in' is grey, and 'bulgaria' is black. To the right of the text is a stylized graphic element composed of three overlapping shapes: a grey circle, a grey square, and a black circle.

In 2022 the Association of Banks in Bulgaria is celebrating the 30th anniversary of its founding. The anniversary was honoured with a festive cocktail held on the 13th of June, 2022 in Sofia. It was attended by representatives of the banking community, government institutions, related organizations, the academic community, media and others. The celebration was opened by the Chairperson of the Executive Board of the ABB - Mrs. Diana Miteva. Mrs. Miteva, the Minister of Finance of the Republic of Bulgaria – Mr. Asen Vasilev and the Governor of the Bulgarian National Bank – Mr. Dimitar Radev addressed the guests on the occasion of the anniversary of the Association.



Chairperson and members of the Executive Committee and Secretary General of the ABB

Photo: Banker

Банките в
България



Diana Miteva, Chairperson of the Executive Board of the ABB

Photo: Banker



ЛГария



30
YEARS

Dimitar Radev, Governor of the Bulgarian National Bank

Photo: Banker

association of
banks in
bulgaria





Guests at the celebration of the 30th anniversary of the founding of the ABB

Photo: Banker

