



The revised Payment Services Directive (PSD2) shall enhance consumer protection and improve the security of payment services in Bulgaria. However, the payments market in Bulgaria is both very small and highly conservative. Since the majority of the banks and non-banking financial institutions in the country are foreign (either branches or with foreign majority shareholders), the main players on the market are the big European banks and thus the decision how to react to the amended Payment Services Directive will to the great extent lie with the headquarters and depend on the group strategies.

The PSD2 has been subject of consultation and debate since 2013 and all significant market players have been already re-examining their retail models. This also refers to the Bulgarian market, although the implementation of the directive at a national level shall take place within a couple of years. With no hard deadlines in place, it is doubtful that the majority of the banks would have launched working technical support on “day one” (for example, an application programming interface (API)). Here what is specific for Bulgaria is the fact that it became an IT hub in recent years and the opportunities for joint IT-banking initiatives are huge. Security, authentication, data protection and new apps are significant matters yet to be dealt with. New partnerships between technology providers and financial services providers have been popular in the last five years, especially with regard to electronic payments, banking solutions and consumer financing, but so far none has gained significant momentum or client base. Nevertheless,

efforts in this area continue and it could be expected that delivering attractive mobile and/or converged services shall be a key element in the business development strategies of both banks and other financial institutions, as well as of payment service providers, retailers and mobile service providers who seem to be more flexible and focused on user experience, thus seeming to have a competitive edge on banks.

Furthermore, it should also be noted that the policymakers and the politicians will have a lot of work to do before the new opportunities opened by the directive could be efficiently utilised in Bulgaria. Prior to this directive being implemented, the Bulgarian legislation and some of the existing rules need to be amended to facilitate the new business models.

