

Summary of the ad-hoc meeting of the Irish Retail Payments Forum (IRPF) – 26 September 2023

26 September 2023

This note summarises the outcome of the ad-hoc meeting of the IRPF, which focused on the National Payments Strategy and the Digital Euro. The meeting was hosted in the Central Bank of Ireland's (Central Bank) building in North Wall Quay, Dublin 1.

List of Attendees

Chair: Karen O'Leary, Head of Payments and Securities Settlements Division, the Central Bank

1. Banking and Payments Federation Ireland (BPF)
2. Central Bank of Ireland
3. Credit Union Development Association (CUDA)
4. Competition and Consumer Protection Commission (CCPC)
5. Danske Bank
6. Department of Finance (DoF)
7. Department of Social Protection (DSFA)
8. Electronic Money Association (EMA)
9. Fintech and Payments Association of Ireland (FPAI)
10. Irish League of Credit Unions (ILCU)
11. Mastercard
12. National Transport Authority (NTA)
13. Retail Ireland (Ibec)
14. Square
15. TrueLayer
16. VISA
17. Retail Excellence

Apologies

1. Convenience Stores and Newsagents Association
2. Consumer Association of Ireland

Welcome Address

The Chair Karen O'Leary (Central Bank) welcomed the members and introduced Anne Marie McKieran, the new Director of Financial Operations at the Central Bank who attended the meeting to meet the stakeholders. Ms O'Leary highlighted some key developments in Europe, including the European Commission's (Commission) legislative package concerning cash and

the Digital Euro, which is working through the negotiation process. This was one of the key reasons behind bringing the National Payments Strategy and Digital Euro agenda items together for this meeting as the two issues are closely related. Ms O'Leary also highlighted the progress that has been made in relation to the Commission's legislative proposal on instant payments and acknowledged the different types of challenges that this represents for the IRPF Members, depending on where they sit in the payments chain.

Ms O'Leary welcomed the attendees from Department of Finance (DoF), and handed over to Susan O'Reilly (DoF) who is leading out on the development of the National Payments Strategy.

National Payments Strategy (NPS) - Overview

Ms O'Reilly (DoF) introduced herself and her colleagues Diarmuid Angland, Cian Congdon and Conor Chossis, and provided an overview of the background to the NPS. The strategy is due to be published in 2024 and the elements to be considered were set out in the Retail Banking review. These include:

- Developing a **payments roadmap** which sets out the future evolution of the entire payments system, taking account of developments in digital payments (incl. payments fraud and Open Banking) the use of cheques and other issues, and guide how future changes should be made to the legislative **Access to Cash (ATC)** criteria, which is subject to separate legislative work under the Banking Review.
- Considering legislation to give the Minister for Finance the power to require certain classes of firms, sectors or sub-sectors to accept or facilitate (to an appropriate level) the **acceptance of cash**; and
- Consider whether it should be Government policy that **public bodies** accept or facilitate the acceptance of cash for the payment of goods, services, taxes, levies, fees or charges.

The NPS will also take account of developments at an EU level, such as aligning with the retail payments strategy of the European Commission and Eurosystem cash strategy, and the domestic implementation of EU initiatives domestically such as the third Payment Services Directive (PSD3), the Payment Services Regulation (PSR) the Digital Euro, instant payments and the Digital Finance Package.

DoF is in the final stages of drafting a consultation paper which will be published later in Q4 2023 and will run for eight weeks. The consultation paper will set out the current situation under various headings, and will pose key questions on existing challenges, how they may be overcome, and which stakeholder(s) should own the objectives. DoF has started to engage with relevant stakeholders in relation to the strategy and will continue to schedule bi-lateral engagements as the strategy progresses.

Member Discussion

Michael Concannon (Fintech and Payments Association Ireland) highlighted that in order to tackle the issue of payments fraud effectively, an international response, that includes all

relevant stakeholders is necessary. In addition to financial institutions, telecom operators and social media companies have an important role to play.

Cian Congdon (DoF) agreed that coordination is required, indicating that DoF is actively engaging with key stakeholders, and noting that Comreg has recently published a consultation on “Combatting scam calls and texts”. Mr Congdon noted that there is a requirement under the PSR for banks to cooperate with telecom providers.

Karen O’Leary (Central Bank) enquired as to the level of interest from public representatives on the strategy. Susan O’Reilly (DoF) noted that they have received some Parliamentary Questions on the issue of fraud, and access to cash, but the volumes have been moderate to date. Ms O’Reilly expects that volumes may increase as the strategy gains more profile and more people become more aware of it.

Barry Manning (Dankse Bank) enquired where the demand for ATC is coming from, and what infrastructural change would be required to meet this demand. John Palmer (DoF) noted first that no new infrastructure will be developed, rather the ATC legislation will focus on maintaining existing infrastructure until more nuanced criteria can be developed to measure demand for cash. Mr Palmer advised that there is a very wide spectrum in terms of demand for cash and that the ATC criteria will evolve, with infrastructure demands evolving in line with cash usage. This issue will continue to be monitored by the NPS. Mr Palmer noted that the issue of ATC is also very important from a financial inclusion perspective, and that other jurisdictions such as the UK and Sweden are more advanced in terms of legislation.

Mr Palmer also noted that the domestic ATC legislation will take account of the Commission’s legislative proposal on ATC. Finally, as part of the work on the Banking Review, DoF concluded that current ATC levels in Ireland are reasonably good, which was confirmed by a consumer survey. However, ATC levels in Ireland are under threat due to commercial decisions being taken by a variety of actors in the market, so the purpose of the legislation is take stock of current levels and put in place criteria, provided that they can change, so that the future evolution of the cash infrastructure and ATC can be managed in a fair and equitable manner. Diarmuid Angland (DoF) supplemented this by advising 10% of households do not have a bank account and that increases in certain vulnerable cohorts of society. Multiple surveys also indicate that consumers prefer to have choice when it comes to making payments, even if they are not using it frequently.

Richard Walsh (BPIFI) highlighted that they have had good engagement with the Commission for Communications Regulation (ComReg) in relation to fraud and that they encourage collaboration between banks and telecom operators. BPIFI currently has limited engagement with social media companies but they are actively trying to address this. Mr Walsh also advised that the NPS could be an opportunity to consider something like a transaction monitoring network or platform, similar to what other jurisdictions have done, in advance of requirements that will be brought in under the PSR. Mr Walsh also questioned whether a ‘sunset’ date should be considered for cheques, given the associated costs, with the caveat that certain user exceptions could be catered for. Susan O’Reilly (DoF) advised that the issue of cheques will be considered as part of the consultation and strategy.

Conor Langford (VISA) questioned the scope of the NPS and whether it includes all payment delivery models e.g. P2P, P2B, B2B, P2G etc., as including all types of payments might be ambitious. Furthermore, this approach would take into account new payment methods that are not currently considered by the NPS. Mr Langford advised that outcomes-focused approach, rather than a focus on specific solutions, could be useful based on lessons learned from strategies developed by other jurisdictions. Diarmuid Angland (DoF) noted that the focus on the NPS was on outcomes for consumers and small businesses.

Roisin Smith (CUDA) highlighted that their members are very dependent on cash and that there is a challenge with the diminishing number of cash operators, both in terms of risk and cost. Ms Smith also highlighted that whilst cash can act as an alternative to electronic payments, it should not be considered an outright contingency in the context of failures in other retail payment systems, and asked how comfortable members are those system risks are under control. Susan O'Reilly (DoF) advised that in Sweden they have mandated the use of cash in certain sectors due to concerns around cyber-attacks on critical infrastructure, which DoF will consider as part of the NPS. Karen O'Leary (Central Bank) highlighted that one of the Central Bank's key priorities is the area of Operation Resilience, and part of this is understanding the interconnectedness of systems and how they interact with each other. This is a topic that the Central Bank brought to the IRPF previously and following on from that we are currently planning an Operational Resilience workshop, which will take place in October 2023.

Joe Morley (Truelayer) highlighted the interdependency between Open Banking and instant payments, which has clearly been demonstrated in the UK market. Mr Morley appreciated that the implementation of instant payments will be a heavy lift for the incumbent banks but that the success of Open Banking will depend on these banks providing smooth access, which will require the commitment of resources to develop smooth customer journeys. In terms of best practices being deployed in other jurisdictions, the use QR codes in areas where internet access is less available has been successful in India and Brazil, and this is something that should be considered by the NPS.

Patrick McGonigle (CCPC) advised that they receive many enquiries and complaints about the acceptance of cash and have regular engagement with retailers in the course of their work so they are very interested to see how the enforcement of acceptance of cash will develop.

Digital Euro

Karen O'Leary (Central Bank) introduced the Digital Euro item, highlighting the Governing Council Decision on 18 October 2023, which will determine whether the Eurosystem's Digital Euro project will move to the preparation phase. Ms O'Leary stressed that this will not be a decision to issue. Ms O'Leary introduced the Central Bank Digital Euro Team, which includes Martin Langan, Jason Roche, Helen Cosgrave and Rachel Crowley.

Jason Roche (Central Bank) provided a recap since the last IRPF Digital meeting in June 2023, with the Eurosystem's project sustaining its momentum. A high percentage of the

deliverables in the investigation phase have been complete. The ECB is moving into the final stages of engagements in advance of the Governing Council Decision in October through its Digital Euro Project Steering Group and High Level Task Force. In terms of the work over the summer, there were two key deliverables:

1. The Quality Review Gate 2 – which comprises a set of executive documents that includes the outputs of the investigation activities over the past 2 years – including end-to-end flows, user requirements and the prospective project implementation plan should a positive decision be take.
2. Legislation – Commission legislative framework for the Digital Euro is seen as a key stepping-stone for the project. Assessment of the proposal is underway to determine the domestic implications and the wider impact on the project and the proposed design decisions. The ECB will also publish its opinion on the legislation later this year.

Mr Roche also highlighted that the Digital Euro Team has been engaging with the DoF NPS Team to ensure that future Digital Euro developments are considered as part of the strategy.

Helen Cosgrave (Central Bank) discussed some of the key design issues that were considered during the investigation phase including the compensation model, the portability of the Digital Euro, fraud detection and prevention, financial inclusion and the proposed approach to any rollout.

Martin Langan (Central Bank) provided some background to the development of Commission’s legislative framework for the Digital Euro, which was largely driven by the declining use of cash, the increasing preference for electronic payment solutions, and the objective to ensure that citizens and business retain access to central bank money in the digital age. Mr Langan provided an overview of the key components of the legislative proposal, which include:

- The legal tender status of cash and the Digital Euro are equal
- There will be a high degree of privacy which will be balanced with other regulatory obligations such as fraud prevention and anti-money laundering
- Basic services will be free of charge but incentives will need to be offered to intermediaries
- There will be an online and offline functionality
- Holding limits will be maintained

In terms of next steps, Mr Langan advised that the Eurosystem is working on creating a holistic digital euro high-level design document. The Eurosystem will actively engage with a large number of stakeholders throughout the remainder of the investigation phase inclusive of European Commission, the European Parliament, finance ministers, and market stakeholders.

[Member Discussion](#)

Karen O’Leary (Central Bank) emphasized that there is a lot of uncertainty in the area of retail payments at the moment, and that there are a number of EU initiatives in train. Ms O’Leary noted that authorities should provide guidance to market participants, as to how they should prioritise the implementation of these many initiatives. Ms O’Leary noted that regardless of

the outcome of the decision taken by the Governing Council in October, the amount of engagement and research that has been conducted amongst market participants has helped us all learn, and that this work has been very valuable. Anne Marie McKiernan (Central Bank) noted that this type of sectoral and stakeholder engagement will ramp up if the project moves into the preparation phase, as we would need to consider issues such as the technology and scheme aspects of the Digital Euro.

Michael Concanon (FPAI) questioned why Digital Euro is often referred to as a 'complement' to cash, when really it is an 'alternative' to cash. Mr Concanon also highlighted his surprise that the technology on which the Digital Euro will be designed has not been chosen yet. Finally, from a user perspective, Mr Concanon questioned whether the Digital Euro wallet is a wallet or an account. Jason Roche (Central Bank) advised that the technology element remains open, however, significant market research has been conducted to identify the types of technology and providers that exist in the market and the feasibility of these technologies being used for the design decisions that have been taken for the Digital Euro. Martin Langan (Central Bank) advised that the term account could be considered a placeholder, and that it does not indicate that a particular decision has been taken in terms of technology. Mr Langan advised that the term 'complement' rather than 'alternative' is used to provide assurance to consumers and businesses that the Digital Euro is not intended to replace cash.

Barry Manning (Danske) questioned how difficult it might be for smaller entities such as credit unions to implement the digital euro infrastructure, e.g. a digital wallet, particularly as many already use a third party provider for standard SEPA payments processing. Martin Langan (Central Bank) advised that the Eurosystem would design and operate the back-end infrastructure. Considerations are underway on the front-end provision of services, taking into account proportionality, with exploration of the potential for the Eurosystem to also provide basic consumer-facing services. However, these considerations are in their infancy and many open questions remain. Mr Langan also noted that PSPs should consider the obligations contained in the legislative framework for the Digital Euro. Karen O'Leary (Central Bank) also noted ongoing discussions at a European level regarding granting direct access to payment systems to certain entities, which could be relevant for the Digital Euro.

Closing

The Chair thanked the members for the level of engagement and gave particular thanks to the DoF representatives and closed the meeting.