

Summary of the eighth meeting of the Irish Retail Payments Forum (IRPF)

18 May 2023

This note summarises the outcome of the eighth meeting of the IRPF, which was hosted in the Central Bank of Ireland's ('the 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
2. Central Bank of Ireland
3. Convenience Stores and Newsagents Association
4. Credit Union Compliance Centre
5. Credit Union Development Association
6. Danske Bank
7. Department of Finance
8. Electronic Money Association
9. Fintech and Payments Association of Ireland
10. Irish League of Credit Unions
11. Mastercard
12. Retail Ireland (Ibec)
13. Square
14. TrueLayer
15. VISA

Apologies

1. Consumers' Association of Ireland
2. eCommerce Association of Ireland
3. Retail Excellence

Welcome Address

The Chair Karen O'Leary (Central Bank) welcomed the members and thanked them for attending the meet and greet prior to the meeting, which was arranged to encourage collaboration and help build relationships.

Ms O'Leary welcomed the new rotational payment service provider (PSP) members, an enhancement which stemmed from the review of the IRPF that the Central Bank conducted last year. This enhancement aims to ensure that the forum benefits from broader and direct experience of firms operating at ground level. Ms O'Leary also outlined the Central Bank's plan to arrange special IRPF focus sessions and how these are considered to be the next stage of enhancing the 'value add' of the IRPF.

Ms O’Leary provided an overview of some relevant developments and emerging themes that are relevant to the forum. It is important to ensure that consumers and the economy realise the benefits of payments innovation while protecting the most vulnerable in terms of digital exclusion and cash reliance, where the Central Bank’s key focus is the public interest. In the context of the proposed National Payments Strategy we must consider the Irish retail payments market of tomorrow, and where we aspire to be, and how the members can work together to achieve this.

Enhancing the efficiency of the payments system is never a ‘one and done’ task, but an ongoing body of work. It is important to understand that Ireland is not alone in this, the Eurosystem and European Commission (‘the Commission’) have published retail payment strategies that aim to address known challenges in the wider European retail payment system. Looking to the Open Banking item on the agenda, the full opportunities are unrealised in the Irish market, where some frictions remain. In this context the Commission has announced the review of PSD2, which will likely also consider the issue of accessing systems. Similarly, instant payments will be mandated, the proposed legislative text is at an advanced stage and Ms O’Leary strongly encouraged all relevant PSPs that fall under scope to continue planning for implementation. It is important to embrace the opportunities that instant payments facilitates, particularly in terms of what solutions can be built on top of the service. Finally, Ms O’Leary referenced that there has been increased engagement with the ECB on Digital Euro and that there is plenty more to come on this topic. The Central Bank will be hosting a special session of the IRPF to provide an update on the Eurosystem’s Digital Euro project, this will be held on 21 June 2023 via WebEx.

Rotational PSP Introductions

The Chair welcomed the new rotational PSP members to the IRPF. The new members are Barry Manning – Head of Transaction Banking in Danske Bank (Credit Institution), Paul Mortby – Head of EMEA Policy in Square (E-Money Institution) and Joe Morley – Chief Executive and Executive Director in TrueLayer (Payment Institution). Each new member provided a brief overview of some key areas of interest, including instant payments, open banking, the PSD2 review, and the Digital Euro project.

Open Banking in Ireland – Joe Morley, TrueLayer

Joe Morley provided an introduction to TrueLayer, which he described as a payments network that is built for growth. Mr Morley outlined the benefits of Open Banking for merchants, which moves account-to-account transfers from the online banking portal to the merchants’ checkout, resulting in lower fees, improved security and increased convenience. Mr Morley provided three video examples of Open Banking transactions using different providers to illustrate possible user experiences.

Mr Morley provided a brief overview of the Open Banking market in the UK, which is more advanced than the Irish market. The UK Open Banking market is worth €4b to its economy, with over 8m users, of which 750k are SMEs. Two of the main drivers for the success of Open Banking in the UK are the Faster Payments (instant payments) System and the Open Banking Implementation Entity (OBIE) guidelines, which the Electronic Money Association discussed

in more detail as part of its own presentation. In contrast, the Irish market has seemingly been held back by the lack of SEPA instant payments coverage and poor user experience on retail banking interfaces (both desktop and mobile). However, despite the current situation, Mr Morley stated that Ireland can leverage the learnings from the UK market. The Republic has the potential to become the EU leader in Open Banking, primarily due to the small number of incumbent banks; early adopter demographics; the growing merchant demand for Open Banking payments; the ongoing work to improve customer user experiences; and the European Commission's proposed legislation which will mandate the provision of instant payments by PSPs.

Member Discussion

Vincent Jennings (Convenience Stores and Newsagents Association (CSNA)) questioned whether the video examples of Open Banking transactions would create friction at the point of sale, as it appeared to be slower than some other methods of paying. Joe Morley (TrueLayer) explained that Open Banking is more common for e-commerce transactions as opposed to the physical point of sale. Paul Mortby (Square) complemented this by outlining specific uses cases for Open Banking at the physical point of sale such as pre-paid cards and QR codes.

Joe Morley (Truelayer) referenced the practice of differential treatment of IBANs, which is causing users to drop out of Open Banking payment flows due to unnecessary excess frictions. Differential treatment of IBANs is where a non-domestic IBAN is accepted for the purpose of making a payment under different conditions than a domestic IBAN, e.g. by requiring a card reader for cross border payments. Mr Morley said that some PSPs insist that additional requirements are imposed on cross border SEPA transactions to mitigate fraud, however, Mr Morley stated that there is no data to indicate that cross border SEPA transactions attract a higher fraud rate than domestic SEPA transactions. Mr Morley outlined that a number of EU/UK banks, including incumbent banks, have been able to design full biometric account-to-account payments that don't leave any additional exposure to fraud.

Karen O'Leary (Central bank) highlighted that a large percentage of alleged cases of IBAN discrimination that have been reported to the Central Bank involve differential treatment of non-domestic IBANs as opposed outright refusal of these IBANs. Ms O'Leary agreed that such instances create a poor user experience for the payment service user and that the Central Bank will continue to assess any barriers in the payment cycle on a case-by-case basis.

UK Implementation of Open Banking – Judith Crawford, Electronic Money Association

Judith Crawford outlined that the purpose of her presentation was to begin the conversation on open banking in Ireland, beyond what is regulated for under PSD2. In the UK, The Competition and Markets Authority (CMA) introduced a competition remedy mandating the UK's 9 largest banks to adopt an "Open Banking Standard" as recommended by the Open Banking Working Group in 2016. This requires the banks to adopt and maintain 'common API' standards that are not mandated under PSD2.

In addition, the OBIE, a private body whose governance and composition was set by the CMA, was tasked with delivering the Open Banking API standards and security architecture. The OBIE monitors performance and functionality of APIs through collection of data from the CMA members, such as downtime, number of failed transactions, number of tickets raised etc. Directions may also be issued in situations where performance or implementations are deemed to be below expectations. The OBIE is overseen by the CMA, Financial Conduct Authority, and the UK Treasury. Ms Crawford outlined her desire to see a similar model implemented in Ireland, as OBIE provides an ecosystem for open banking providers and banks to communicate, and provides a structure to ensure that open banking is working correctly.

In terms of next steps from a European perspective, Ms Crawford referenced the Commission's planned review of PSD2 which will assess how well open banking has worked in the EU, and consider whether more detail is required in legislation.

Reference was made to another project run by industry, the SEPA payment account access. Scheme is being built with the involvement of banks and TPPs at EU level for PSD2 payments and beyond (e.g. saving accounts). It is not yet known whether the scheme will have equivalent functionalities to open banking.

Member Discussion

Mikela Trigilio (Central Bank) questioned whether there is a risk of fragmentation at EU level if Ireland develops a national open banking protocol. Joe Morley (TrueLayer) advised that it would simply be an independent body that has been mandated to ensure that existing EU legislation is being implemented in the correct way. Judith Crawford (EMA) added that as part of the PSD2 review, the Commission could require more direct regulation by National Competent Authorities (NCAs).

When considering a similar model to the OBIE for Ireland, Karen O'Leary (Central Bank) reminded the members to be cognisant that the structure and mandates of the Irish and UK banking, and competition authorities are not identical, so a like-for-like model may not be possible.

Barry Harrington (Irish League of Credit Unions (ILCU)) highlighted that 12% of all current accounts that are opened in Ireland are credit union accounts, and that ILCU is supportive of open banking. Mr Harrington queried where EMA thinks the review of the current Open Banking model fits on the Commission's priority list, given the lengthy number of issues that are currently being considered. Judith Crawford (EMA) said that we would know more in June, when the Commission publishes the first draft of its legislative proposal, but that open banking has been a key focus of Commission expert groups that EMA attends. Gillian Byrne (Banking and Payments Federation of Ireland) complimented this by saying open banking will be one of the 3 pillars of the PSD2 review.

John Palmer (Department of Finance (DoF)) advised the members to report any issues in the area of payments to their office, as DoF can only try to resolve issues that are presented to them.

Access to Cash – Jane Hughes, Department of Finance

Jane Hughes provided an overview of the three recommendations stemming from the Retail Banking Review relating to access to cash. These included:

- DoF to develop access to cash legislation, and prepare heads of a bill in 2023 to require banks that meet objective criteria to provide reasonable access to cash. “Reasonable access to cash” criteria will be defined in consultation with the Central Bank and other stakeholders and the initial objective of the legislation will be to preserve access at December 2022 levels.
- DoF to prepare heads of a bill in 2023 to require ATM operators to be authorised and supervised by the Central Bank.
- DoF to prepare heads of a bill in 2023 to provide the Central Bank with responsibility and powers to protect the resilience of the cash system including the authorisation and supervision of cash-in-transit firms in respect of their cash handling activities and related services.

Each recommendation will consist of the following elements:

Access to Cash

1. Define “reasonable access to cash”
2. Develop objective criteria to fall within the definition of reasonable access to cash
3. Preserve access at December 2022 levels initially

ATM operators

1. Set out in the legislation that they will be authorised and supervised under some form of regime by the Central Bank of Ireland
2. Including location, service levels, hours of operation, etc.

Cash in Transit (CIT) companies

1. Give Central Bank of Ireland powers to oversee the relevant activities of CITs
2. Ensure that the resilience of the system is maintained e.g. plan in place if CIT a company pulls out of Ireland

In terms of timelines, Ms Hughes advised that DoF is currently engaging with the Central Bank, BPII, the Private Security Authority and CITs. The Central Bank is currently conducting a mapping exercise to examine current levels of cash access, which will help develop the criteria to determine reasonable access. DoF is also planning to conduct a targeted consultation in June/July 2023 with members of the IRPF, National Cash Forum and Central Bank Consumer Advisory Group. This will involve focused discussions over a number of weeks and will consider issues like cost, resources, service levels and opening hours and current interaction with cash.

Ms Hughes also outlined DoF’s intention to publish a National Payments Strategy (NPS), which was another recommendation that came from the Retail Banking Review. Due in 2024, the NPS will consist of three pillars: Future of payments, cash acceptance, and cash access

beyond December 2022. DoF is currently drafting the Terms of Reference and will run an open consultation on the NPS at a later date.

[Member discussion](#)

Michael Concannon (Fintech and Payments Association Ireland) questioned whether the legislation will apply to merchants who make a commercial decision to not accept cash, for economic reasons. Jane Hughes (DoF) advised that this likely won't be covered by the legislation but will form part of the NPS, which could result in a recommendation to provide access.

Vincent Jennings (CSNA) noted that the legislation would not be in place until 2024, meaning IADs, which provide a large percentage of society with access to cash, will continue to operate without oversight. Mr Jennings questioned whether DoF can provide any assurances to the merchants regarding service levels in the interim. John Palmer (DoF) outlined that DoF has no powers regarding these commercial relationships, but that DoF is beginning to speak with merchants about service levels and service standards and this will feed into the NPS.

Barry Harrington (ILCU) welcomed the recommendations from the review but indicated that the timelines are very ambitious. He mentioned that IADs are currently captured under PSD2 under which they have to provide some information to the relevant NCA. Mr Harrington also noted that some of their credit union members are starting to open ATMs where a gap exists in the market.

[European Commission's Legislative Proposal on Instant Payments – Gillian Byrne, BPF](#)

Gillian Byrne provided a recap of the key elements of the Commission's legislative proposal for instant payments and the relevant implementation timelines for PSPs. The current scope includes all payment channels that currently offer regular SEPA credit transfers, including paper & bulk files. BPF is supportive of the proposal, however it is advocating for increased timelines and reduced scope on payment channels on behalf of its members. BPF is also facilitating regular working group sessions with its members to assist them in mobilising their internal programmes. BPF advised that this is a priority programme for its member banks.

The proposal is currently being considered by the European Council and European Parliament, and it looks likely that the implementation timelines will be extended to 12 & 24 months. Final agreement is expected by end June. Once the Council and Parliament are in agreement, trialouges will begin with Commission to produce the final draft of the legislation which will be published end 2023 or Q1 2024.

[IRPF Focus Sessions – Austin Carberry, Central Bank](#)

Austin Carberry outlined the Central Bank's intention to facilitate IRPF focus sessions to discuss specific issues in more detail. As part of the review of the IRPF that was conducted last year, many members indicated that there is interest in establishing some form of working group(s) for issues that may warrant a deeper assessment, and these focus groups are considered to be a first step in this process.

Attendance for each session will be voluntary, with each member deciding how relevant the topic is to their organisation – however, active participation is encouraged. Members can either attend themselves, or nominate subject matter experts from their organisation to participate on their behalf. The Central Bank will also consider other relevant industry bodies that could add value to the sessions.

Mr Carberry advised that the Central Bank will be circulating a written procedure to the members to seek their feedback on the potential structure of the focus sessions and possible topics that could be discussed, keeping in mind the mandate of the IRPF.

Member discussion

Karen O’Leary (Central Bank) suggested that DoF’s work on the National Payments Strategy could be of interest for a focus session.

Judith Crawford (EMA) suggested that crypto/stablecoins as a payment method could be explored. Austin Carberry (Central Bank) advised that at present these instruments are not commonly used for retail payments but that this topic will likely become more relevant in the near future.

Gillian Byrne (BPMI) suggested a Digital Euro focus session may be worthwhile.

Closing

The Chair thanked the members for attending the meeting in person and for the level of engagement during the meeting.