

Summary of the seventh meeting of the Irish Retail Payments Forum - 19 September 2022

This note summarises the outcome of the seventh meeting of the Irish Retail Payments Forum (IRPF), which was virtually hosted by the Central Bank of Ireland ('the Central Bank') on 19 September 2022.

List of Attendees:

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

Banking and Payments Federation Ireland
Central Bank of Ireland
Competition and Consumer Protection Commission
Consumers' Association of Ireland
Convenience Stores and Newsagents Association
Credit Union Compliance Centre
Credit Union Development Association
Department of Finance
Department of Social Protection
eCommerce Association of Ireland
Electronic Money Association
Fintech and Payments Association of Ireland
Irish League of Credit Unions
Mastercard
National Transport Authority
Retail Excellence
Retail Grocery Dairy and Trade Associations
Retail Ireland (Ibec)
Synch (guest speaker)

Welcome Address

The Central Bank opened the meeting, with Karen O'Leary, Head of Payment and Securities Settlements Division, advising that the IRPF Chair, William Molloy, was unable to attend the meeting and that she would be assuming the Chair position for the meeting. As a result, the planned Digital Euro agenda item would be deferred to a standalone meeting of the IRPF, to be arranged at a later date. Ms O' Leary highlighted the importance of stakeholder engagement to the Central Bank, as captured by the Open & Engaged strategic objective under [Our Strategy](#) and the value of the IRPF in this regard.

Ms O'Leary welcomed the new members of the IRPF, eCommerce Association of Ireland (eCAI) and Retail Excellence.

Retail Banking Review

The Department of Finance (DoF) provided an overview of the retail banking review, which will assess how the sector operates and determine how it can support social and economic activity. The review will focus on issues such as the changes in payments behaviour, with the shift to more online payments, the diminishing use of cash as a form of payment, and the increase in contactless payments. DoF advised that Covid-19 catalysed some of these behaviours and that advancements in technology have assisted in supporting the behavioural trends. DoF advised that the review would encompass the retail banking sector, the size and structure of the fintech sector, the impact of digital finance in terms of challenging traditional models, the mortgage market, and the SME sector and its ability to access credit. DoF advised that the [Terms of Reference](#) for the review are available online for information.

DoF discussed the progress of the review to date, inclusive of the public consultation, which provided stakeholders with the opportunity to provide their input and feedback. DoF noted that the final review report is due to be shared with the Minister for Finance in November, and will include a number of recommendations. DoF suggested that it might be useful to dedicate time to discuss the report and its recommendations at the next IRPF meeting.

Members Discussion

Retail Grocery Dairy and Trade Associations (RGDATA) questioned whether access to cash is now a key consideration of the banking review, particularly in the context of recent branch closures and announcements to go cashless by Irish retail banks. DoF confirmed that this issue would be considered as part of the review.

The Central Bank asked whether the IRPF would be considered as a vehicle to assess and/or implement relevant recommendations stemming from the banking review. DoF advised that the forum had not been considered at this stage, but may be considered once the review is complete.

Euro Retail Payments Board (ERP) Update

DoF provide an overview of the last meeting of the ERP, which took place in July. DoF advised that ERP updates will be regular agenda items for the IRPF, given its relevance to the IRPF members, and to ensure that detail of the discussions at the ERP are shared with the Irish market. DoF also advised that IRPF members are welcome to raise issues or topics that could be brought to the ERP for discussion.

The ERP meets twice a year and DoF sits as vice Chair. The most recent ERP agenda included:

- The European Commission's ('the Commission') pending legislative proposal regarding instant payments, which is due to be published in Q4 2022.
- The review of the second Payment Services Directive (PSD2) was discussed; DoF advised that the review remains at the information gathering phase.

- The Digital and Operational Resilience Act (DORA) and the Markets in Crypto-Assets (MiCA) drafts were agreed in the summer and will require updates to the European Commission's Retail Payments Strategy.
- The Digital Euro was discussed and it was confirmed that the ECB is continuing with the investigation phase.
- The European Payments Council (EPC) is assessing different methods of conducting instant payments, with its research focusing on standardisation of QR codes, business selection and interoperability at point of interaction.
- The ERPB is discussing the development of a SEPA API acceptance multi-stakeholder scheme.
- Transparency requirements for bank statements, e.g. the use of a commercial name on a customer's bank statement. The ERPB is assessing whether there should be a legislative requirement to ensure customers can trace a payment back to the traders/entities legal name.
- Key priorities for the ERPB in 2023 include instant payments, the Digital Euro and the PSD2 review.

Members Discussion

A question was raised as to whether cash falls within the scope of ERPB. DoF advised that the majority of ERPB agenda items have more of a digital focus, however recent developments such as access to cash are being considered.

The Credit Union Development Association (CUDA) enquired as to where Ireland is situated when compared to other countries regarding access to cash, as cash availability is very important from a credit union perspective. DoF advised that Ireland had one of the sharpest moves from cash to digital payments, which was possibly accelerated by Covid-19. In recent times, Ireland was very cash heavy, and one of the few Member States that still relied on cheques. Some Member States that had a similar level of cash usage to Ireland are experiencing more of a gradual move away from cash. CUDA suggested that this sharp movement towards digital could also have been exacerbated by the planned exit of Ulster Bank and KBC. CUDA was encouraged that this issue is being discussed at a European level, and highlighted that it is important to protect vulnerable people who are completely excluded from digital financial services.

The Central Bank asked if the Banking and Payments Federation Ireland (BPF) could provide an update to the IRPF members on the implementation of instant payments in Ireland by Irish banks. BPF advised that its members are aware of the planned legislative action due to be taken by the Commission and are awaiting the formal announcement. Most new players joining the market are adhering to SEPA Instant Credit Transfer scheme from the outset, however BPF noted that adherence rates won't increase until the Irish retail banks migrate. From the retail banks perspective, BPF noted that implementation would be challenging for its members. DoF advised that whilst it has supported the mandating of instant payments at a European level, they have called for manageable implementation timelines to achieve compliance. This was welcomed by the BPF.

The Electronic Money Association (EMA) noted while they were in general very supportive of widespread adoption of instant payments, for a cohort of PSPs it would not make sense from a business model perspective to adopt instant payments. EMA questioned whether the Commission would consider this issue in their requirements, e.g. will they provide exemptions? DoF advised that level of detail has not been shared at this juncture. Regarding the Digital Euro, EMA was disappointed to learn that it would be issued via institutions holding a settlement account with a National Central Bank, which excludes all Payment Institutions and E-Money Institutions (PIEMIs) as they are unable to open a direct settlement account with a National Central Bank according to the current version of the Settlement Finality Directive. EMA acknowledged that there are plans to amend the SFD, which may allow for direct PIEMI access in future, but that this is still as yet uncertain. The Central Bank advised that this could be covered in the specific session on the Digital Euro.

Synch

Synch provided an overview of the new Irish mobile payments app, which will be coming to market very soon. The shareholders are Irish banks but Synch is very much independent with its own board and independent chair. Features include:

- Instant funds availability for end users
- Biometrically authenticated transactions
- Multi-channel functionality with a Point of Sale (POS) terminal
- P2P functionality (including request to pay and splitting bill)
- Account-to-account transfers reliant on the SEPA rails not card rails
- The end user's traditional IBAN being replaced by their mobile phone number, which will be enabled by a proxy database.
- The solution will be based on an open platform with a consumer and merchant offering.

Members Discussion

Consumers' Association of Ireland questioned whether there is a transaction limit in terms of value, and if there were additional costs to consumers. Synch advised that transaction limits are set by the underlying participating commercial banks. In relation to costs, Synch advised that it operates on a licence agreement with its participants (i.e. the commercial banks) and not the end user, therefore, they do not have sight of the costs to customers but that the Central Bank would have sight of any cost increases to consumers, as no interest bank charges come under Section 149 of the Central Bank Act.

EMA questioned how the instant settlement layer works, given Irish retail banks currently do not offer instant payments. EMA also asked how the transaction is initiated, i.e. the instruction from app to bank. Synch advised that participants have an obligation to ensure that transactions are settled in the next available payment cycle, and that in the interim period there is a credit exposure but this is not something that has been raised as a concern by participants or the Competition and Consumer Protection Commission (CCPC). Synch advised that the transactions

are initiated and executed by the financial institution itself, with debit and credit flags being applied to the transaction to ensure there is no double counting.

eCAI asked what the cost to merchants would be. Synch advised that whilst they have a commercial offering, this would be done via acquirers who would manage merchant costs/fees, but that maybe in the future the offering could be direct. eCAI queried the time to market. Synch confirmed this would be soon; they are testing technology and concentrating on building the ecosystem to ensure they have the right number of participants.

Consumers' Association of Ireland asked how secure the technology was. Synch advised that they are very confident on the cyber security element of the solution as they have partnered with reputable providers in this regard.

IBAN Discrimination

The Central Bank provided an overview of the issue of on IBAN discrimination in Ireland and the efforts taken to abolish the practice. IBAN discrimination is prohibited by the SEPA Regulation (EU) No 260/2012, of which Article 9 states that a payer or payee cannot specify the Member State in which the account to be debited or credited is located. The issue of IBAN discrimination was specifically highlighted in the European Commission's Retail Payments Strategy of September 2020. The Commission services are committed to scaling-up efforts against IBAN discrimination occurring across the EU, with particular attention for the role of national competent authorities (NCAs) in tackling these cases. In Ireland, there are two designated NCAs for SEPA compliance:

- CCPC is the competent authority in the State for cases involving a consumer and a trader.
- For all other cases, the Central Bank is the competent authority.

The Central Bank advised that it has held various industry engagements to highlight the issue of IBAN discrimination. The Central Bank has also used its website and social media channels to communicate consumer rights and the obligations of any party conducting SEPA payment services. The Central Bank outlined its procedure for handling SEPA complaints directly with the offending entities and highlighted its recent engagement with DoF to seek an amendment to the Irish SEPA Regulations to grant the Central Bank with additional powers with respect to non-regulated entity offenders.

The Central Bank provided an overview of its compliance and communications campaign on the issue of IBAN discrimination, which was implemented in June 2022. The purpose of the campaign was to target potential offenders, either educating or reinforcing their obligations under the Regulation so they undertake the necessary policy / technical changes to avoid new breaches occurring. In addition, the Central Bank wanted to ensure that potentially impacted consumers have access to information, in the most appropriate format, on their rights,

understand how they can attempt to self-solve the issue and, failing that, where to escalate complaints to. The campaign consisted of:

1. 'Dear CEO' letters issued to regulated entities (e.g. PSPs, insurance firms, stock brokers etc.) to reinforce their obligations under the SEPA Regulation.
2. 'Dear CEO' style of letter to non-regulated entities including employer and other representative groups, to remind group members of their obligations under the legislation.
3. A CBI press release circulated broadly amongst media and social media channels, highlighting the content of the Dear CEO letters.
4. CBI updated the content of its website to ensure it meets the needs of consumers/customers against the backdrop of a changed personal finance environment.

Members Discussion

The Central Bank opened to the floor to seek feedback on the issue of IBAN discrimination, including any additional suggestions on how to tackle the issue in Ireland.

Consumers' Association of Ireland advised that they are aware of IBAN discrimination at an EU level, but that it has not been raised with them as an issue. They suggested that the Financial Services and Pensions Ombudsman should highlight this issue on their website, as consumers may be quicker to consult the FSPO than any other organisation.

CCPC highlighted that this issue falls under their remit too and advised that they have sent out 60+ letters to the main potential offenders (e.g. utility providers). CCPC also advised that they have a consumer helpline and monitor social media to closely follow the issue. During 2022, CCPC has contacted 11 different traders regarding their practice of IBAN discrimination, with 8 of these traders making the necessary technical upgrades to bring them into compliance with the SEPA Regulation.

EMA welcomed the actions taken by the Central Bank and CCPC.

IRPF Review

The Central Bank provided an interim update on the ongoing review of the IRPF. They thanked all members that took the time to feed into the review process, as this feedback will be crucial in terms of trying to understand what direction the forum should be going. The purpose of the review is to determine if and how the IRPF should evolve in line with the needs of the Irish retail payments market. The environment has changed; there is much more of a strategic focus on payments now than ever before, and the IRPF needs to consider what role the Forum will play in that context. The Central Bank outlined some of the key findings and recommendations stemming from the review process. In summary, the review has been quite positive, with the majority of members indicating that they find the forum useful.

Members Discussion

The Central Bank asked the members to provide their feedback on considerations raised in the presentation, including:

1. What purpose does the IRPF serve for your organisation? Are you satisfied with it primarily being an information-sharing forum or do you think that we need to step up our activities?
2. What strategic priorities do you think the IRPF should be focusing on, and how should the activities of the IRPF be structured?
3. Do members have the capacity to lead and/or participate in working groups and what strategic issues could they focus on?

The Central Bank welcomed any initial feedback but advised that members could respond later after they have had time to consider.

EMA queried whether the review of PSD2 and the ultimate implementation of PSD3 could be a focus of the IRPF. The Central Bank took note of this suggestion. DoF noted that they engage with the Commission on this topic and are open to receiving feedback from the market.

AOB

eCAI enquired if there are any discussions on mandating the acceptance of digital payments by all retailers. The Central Bank and CCPC advised they are unaware of any regulation in place to this effect, or plans to implement. The CCPC clarified that in Ireland, contract law provides that retailers can choose to accept, or not accept, any payment instrument once they display the types of payments instruments that they do accept.

Convenience Store and Newsagents Association asked whether there is a regulatory body looking at credit card terminal outages, and what role the Central Bank plays in this regard. The Central Bank assured CSNA that it takes the issue of payment system outages very seriously, and is committed to ensuring the resilience of the financial system is upheld. The Central Bank appreciates the level of inconvenience outages such as these cause, however, it is precluded by law to discuss the details of its supervisory engagements with regulated PSPs.

The Chair closed the meeting and reminded attendees that the next meeting would be on 7 December and would be in person.