



**Financial
Services
Ireland**
ibec

National Payments Strategy: Public Consultation

Financial Services Ireland (FSI) submission – February 2024

Department of Finance
Government Buildings
Upper Merrion Street
Dublin 2
D02 R583

14 February 2024

Re: National Payments Strategy: Public Consultation

Dear Sir/Madam,

Thank you for the opportunity to engage with you in relation to the Department of Finance's proposals for a National Payment Strategy. I would also like to acknowledge the Department of Finance's wider industry engagement on this topic over the past number of months.

Financial Services Ireland (FSI) is the Ibec trade association representing the full financial services industry in Ireland. Our 160 members are engaged in domestic and international banking, (re)insurance, funds and asset management, payments, fintech, aircraft leasing, and others. Our objective is to continuously improve Ireland's position as a top global financial centre.

While FSI welcomes the National Payment Strategy (NPS), we want to ensure that this important framework enhances Ireland's payment system and protects Irish consumers. Our members are focused on continuous improvement by building in trust and taking accountability for the good of customers, investors, and the industry itself.

Outlined below are our responses to the individual questions posed in the consultations. We summarise below our key asks in relation to a National Payment Strategy:

- **Adaptive and dynamic approach:** We endorse the idea of a "living document" for the NPS, regular reviews, and adaptations to keep pace with the evolving payments landscape and the introduction of new technologies such as the Digital Euro and crypto payments, ensuring that policies remain relevant and effective in addressing emerging challenges and opportunities.
- **Enhancing fraud prevention methods, reviewing contactless payment limits, and centralising data** on fraud levels are vital components of combating financial crimes in Ireland. These efforts should be part of a comprehensive national strategy that includes cross-sector collaboration to address societal issues like money laundering and trafficking. We see the

- facilitation of information sharing among stakeholders and promoting public awareness essential for effective fraud prevention and enforcement of relevant laws.
- **Proportionality and timelines in legislation:** We emphasise the need for proportionate and adaptable legislative frameworks that accommodate the dynamic nature of the payments landscape, with clear timelines for implementation and flexibility to address emerging challenges and opportunities.
- **Data collection and analysis:** We stress the importance of comprehensive data collection and analysis in areas such as open banking, instant payments, sustainability, and crypto payments, to inform evidence-based policymaking and regulatory decision-making.
- **Access and acceptance of cash:** We affirm the importance of ensuring continued access and acceptance of cash, particularly for segments of society reliant on cash for daily transactions and we ask for a broader definition of access points to include various service providers to meet diverse consumer needs.

3.1 What are your views on the timeline? What would effective key indicators to measure the progress of the NPS be?

We believe that the proposed timeline to 2030 may be too broad and may not efficiently address the rapidly evolving landscape of the payments industry. Given the dynamic nature of the sector and future regulation, such as those from the European Union, a more agile approach with more frequent reviews, perhaps every two to three years, would be appropriate. This shorter timeframe would allow for timely adjustments to be made in response to emerging technologies, changes in consumer behaviour, and evolving regulatory environments.

As for effective key indicators to measure progress, they should reflect both the overarching goals of the NPS, and the specific areas targeted for improvement. Some potential key indicators include:

- **Digital Payment Adoption Rate:** Tracking the percentage of transactions conducted digitally, versus through traditional means, can indicate the degree to which the strategy is encouraging the adoption of digital payments.
- **Financial Inclusion Metrics:** Monitoring the accessibility of payment services to underserved populations can gauge progress in promoting financial inclusion.
- **Transaction Security and Fraud Rates:** Evaluating the occurrence of payment fraud and gauging the efficacy of security measures implemented under the strategy.
- **Innovation Index:** Measuring the rate of innovation in the payments ecosystem, including the adoption of new technologies such as the Digital Euro and crypto payments, can indicate the strategy's effectiveness in fostering innovation.
- **Cost of Payments:** Tracking the costs associated with various payment methods can help evaluate the efficiency and affordability of the payment system for both consumers and businesses.

- **Customer Satisfaction Surveys:** Gathering feedback from users of payment services to gauge satisfaction levels and to identify areas for improvement.

4.4 What do you see as the challenges to the roll-out of instant payments in Ireland?

We are fully supportive of the rollout of Instant payments in Ireland, recognising its potential to enhance the efficiency and convenience of payment transactions. However, we acknowledge that it is not without its challenges.

The rollout of instant payments in Ireland faces multifaceted challenges stemming from various factors, including:

1. There are substantial technical hurdles associated with upgrading existing banking systems to support real-time transactions seamlessly as legacy systems often lack the flexibility and scalability required for such a transition.
2. Ensuring round-the-clock availability of instant payment services presents logistical challenges, particularly concerning system maintenance and operational resilience.
3. Regulatory complexities surrounding compliance requirements and interoperability standards further complicate the implementation process.
4. Fostering consumer trust and adoption poses a considerable challenge, as many individuals may be unfamiliar with the concept of instant payments or have concerns regarding security and reliability.

4.5 What actions could be taken to support the roll-out of instant payments?

SEPA Instant payments in euro have been recently mandated by law following approval from the European Parliament on 7 February 2024. This means that financial institutions must comply with these regulations to ensure the successful rollout of instant payments. It is essential for the entire industry, including government institutions like the Department of Finance, regulatory authorities such as the Central Bank of Ireland, and industry associations such as FSI to collaborate closely. The aim is to inform the public about the advantages of instant payments and address any concerns or doubts they may have. This coordinated effort will help build trust in the new payment method and encourage more people to embrace it, ultimately facilitating its successful rollout. Additionally, we emphasise the importance of prioritising measures for fraud monitoring and sanctions screening to ensure the security and reliability of instant payments.

4.6 What are potential negative impacts to the wider use of instant payments? How could these be mitigated?

While we fully support the implementation of SEPA Instant payments, it is important to address potential drawbacks. Security concerns, such as fraud and data breaches, could erode consumer trust in the system. Enhancing financial literacy initiatives is essential to ensure equitable access and usage of instant payments.

4.7 Given that unauthorised payment fraud constitutes the largest share of fraud levels in Ireland, are there additional initiatives beyond those set out in existing legislation, which can be undertaken domestically to address unauthorised payment fraud? Are there examples of best practices in other jurisdictions?

Considering in 2023, over 90% of adults in Ireland received a scam call, which surpasses the prevalence rate in other countries in the European Union, it is crucial to investigate further initiatives beyond current legislation. Addressing the root causes of scams and fraudulent activities necessitates the formulation of a robust national strategy for fraud prevention. This strategy should encompass proactive measures aimed at identifying and disrupting the origins of scams, bolstering consumer protection, and promoting financial literacy to empower individuals to recognise and report fraudulent behaviour.

Insights from international experiences can provide valuable guidance for enhancing fraud prevention strategies domestically. However, it is essential to note that we aim to avoid replicating the approach taken by the UK, where banks bear the sole burden of addressing fraud. If redress remains the sole responsibility of Payment Service Providers (PSPs), consumers may lack the incentive to stay vigilant and this could lead to increased targeting of Ireland by fraudsters. We support the European Commission's proposed Payment Service Directive (PSD), which focuses liability on banks in specific circumstances to provide redress to consumers.

We also advocate for a collaborative, cross-sectoral approach involving government agencies, regulatory bodies, financial institutions, and other relevant stakeholders such as telecoms companies, social media companies and Big Tech. This multifaceted collaboration is crucial for developing comprehensive and effective measures to combat financial fraud while ensuring accountability and equitable distribution of responsibilities across the board.

4.8 To what extent do you agree that a cross-industry engagement including actors outside the banking and payments sector is needed to adequately address the issue of authorised push payment fraud? If so, which sectors and actors are most relevant?

We strongly agree that cross-industry engagement, involving actors beyond the banking and payments sector, is essential to effectively address the issue of authorised push payment (APP) fraud. Fraudsters often exploit vulnerabilities across various industries and platforms, making it crucial for collaboration among sectors such as financial institutions, telecommunications, e-commerce, social media, technology, and law enforcement.

Below, we present a detailed outline of our recommendations:

- **Prevention Strategies:** Addressing the root causes of scams and fraudulent activities requires the development of a comprehensive national strategy for fraud prevention. This strategy should include proactive measures aimed at identifying and disrupting scam origins, enhancing consumer protection, and promoting financial literacy to empower individuals to identify and report fraudulent behaviour.

- **Information Sharing:** Facilitating seamless information sharing among financial institutions, regulatory bodies, and law enforcement agencies is essential for early detection and prevention of fraudulent activities. Drawing insights from established databases in countries like the UK and Netherlands, Irish banks should collaborate to share data on fraudulent transactions and patterns, facilitating more effective risk mitigation and fraud prevention efforts.
- **Education and Awareness:** Increasing public awareness about the prevalence and impact of financial fraud is crucial for effectively combating fraudulent activities. Educational campaigns should emphasise that fraud is a criminal offence, highlight common scam tactics, and provide guidance on how individuals can protect themselves from becoming victims of fraudulent schemes.
- **Law Enforcement and Accountability:** Strengthening legal frameworks and enhancing enforcement mechanisms are vital for holding fraud perpetrators accountable. Clear delineation of responsibilities should be established to ensure that law enforcement agencies have the necessary resources and authority to investigate and prosecute cases of financial fraud. Additionally, regulatory bodies should proactively enforce compliance with anti-fraud measures and impose penalties for non-compliance.
- **SEPA Instant Payment:** Financial institutions encounter challenges in promptly reviewing payments flagged by monitoring systems. While Confirmation of Payee helps combat certain forms of APP fraud, it may be less effective against schemes involving different bank accounts, such as smishing, where fraudsters exploit known account names to evade security measures.
- **Data Challenges:** Despite stringent requirements for Payment Service Regulations (PSR) fraud reporting, data collection remains a challenge. The PSR's focus on Strong Customer Authentication (SCA) may limit its scope, overlooking various fraud types and hindering comprehensive analysis.
- **Industry Collaboration:** To effectively combat fraud, EU legislation is crucial to compel cooperation among stakeholders. Until fraud and data protection laws are amended, online platforms and telecommunications companies may lack the authority to address fraudulent activities originating from their platforms. For instance, Irish law would have to change to permit machine filtering by telecommunications companies of fraudulent SMS messages as successfully done in the UK and Germany because as the law stands, they cannot do this.

4.9 What challenges or obstacle are faced by firms and consumers in providing and using open banking?

Firms and consumers encounter multifaceted challenges when engaging with open banking services.

One significant hurdle revolves around the integration of Strong Customer Authentication (SCA) protocols, which, while crucial for enhancing security, has become a source of frustration for customers. Additionally, firms face the task of ensuring compliance with SCA requirements, alongside addressing concerns related to data privacy and security. On the consumer side, there is often a lack of awareness and understanding about the benefits of open banking, leading to reluctance in adopting these services. Consumers may also harbour concerns about the security of

their personal financial information when engaging with open banking platforms, particularly in light of increasing cybersecurity threats and data breaches.

4.10 What actions could be taken domestically, and by who, to encourage or facilitate the greater uptake of open banking in Ireland?

4.11 What type of collaboration would enhance open banking in Ireland?

To encourage more widespread use of open banking in Ireland, it is crucial for different groups to work together. Regulatory bodies need to set clear rules to protect data and encourage innovation. Financial institutions are already improving their online services to make them faster and more user-friendly. Collaboration between industry experts and technology companies can help create useful new ways to use open banking that people want. At the same time, government and industry groups should educate the public about the benefits and safety of open banking.

4.14 The NPS team has identified data gaps in the areas of open banking, instant payments, sustainability and crypto payments, do you agree that data in these areas are lacking? What metrics should be considered to maximise insight into these sectors and while recognising the key role of the Central Bank, which organisations are best placed to collect and analyse these?

There is widespread acknowledgment that insufficient data in domains like open banking, instant payments, sustainability, and crypto transactions hinders our capacity to gain comprehensive insights and make informed decisions. To enhance the understanding, we need to focus on key metrics such as transaction volumes, adoption rates, security protocols, environmental impacts, and occurrences of fraud.

While the CBI plays a crucial role in overseeing payment systems, data collection and analysis of responsibilities vary among sectors. Regulated entities like Payment Initiation Service Providers (PISPs) are best suited to furnish data on open banking, whereas crypto payment data is ideally obtained directly from service providers themselves. Moreover, the CBI mandates monthly, quarterly, and semi-annual Payment Statistics reporting for PSPs and other relevant entities. Any identified gaps in data reporting should be addressed by their inclusion into the appropriate CBI reporting cycle, facilitating comprehensive oversight and regulatory compliance.

The NPS has been asked to assess the impact of the “reasonable access” criteria in the Access to Cash legislation that is currently being developed by the Department of Finance, and look at how they might evolve in the future. The criteria will be focused on (1) distance to cash access/lodgement point and (2) population density at a certain geographic level. The NPS will take a forward looking approach to consider what future cash usage levels could mean for reasonable access to cash and should the criteria change as a result.

Our considerations on “access to cash”:

- **Customer Expectations and Operational Flexibility:** The expectation is that customers will continue to adopt various payment methods. Despite this, it remains imperative to ensure access to cash while enabling banks to adjust their cash operations to meet evolving demands.
- **Anticipated Decline in Cash Demand:** There is an anticipation that the demand for cash will continue to decrease over time, prompting preparations to align with this trend.
- **Annual Review for Adaptation:** We ask for an annual review of demand and supply levels to facilitate timely adjustments to changing cash usage patterns.
- **Enhanced Efficiency and Contingency Plans:** With the ongoing reduction in cash usage, banks have intensified efforts to streamline cash operations. Banks have already implemented contingency plans to maintain seamless services in the event of supply chain disruptions, thereby minimising any adverse impact on customers.
- **Standardised Data for Informed Decision-Making:** To make informed decisions, it is crucial to adopt a standardised approach to data collection.
- **Cost Considerations and Risks:** The decreased usage of cash, along with efforts to prevent ATM surcharging and increased oversight by the Central Bank of Ireland, might present challenges for certain providers. These factors could elevate resilience risks within the industry.
- **Industry Recognition and Shared Responsibility:** Despite the decline in cash usage, financial services firms acknowledge the crucial role cash plays in society, particularly for specific demographics. This underscores the shared responsibility among stakeholders to ensure continued access to cash alongside the proliferation of digital payment options.
- **Broad Definition of Access Points:** While recognising the necessity of reducing access points in alignment with declining demand, we advocate for a broader definition. This encompasses various service providers such as retail branches, ATMs, An Post locations, independent ATMs, credit unions, and cashback facilities, as well as innovative services like cash in shops.
- **EU Legal Tender Consideration and Data Accuracy:** The legislative proposal on the legal tender of euro banknotes and coins underscores the significance of accurate data on cash usage given that each Member State will be required to submit an annual report to the Commission allowing remedial actions to be taken based on a set of common indicators. We must prioritise standardised data collection and analysis for informed decision-making.
- **Collaboration for Sustainable Access to Cash:** Overall, we remain focused on ensuring continued access to cash while adapting to changing consumer preferences and technological advancements. Collaboration among industry stakeholders, regulatory bodies, and policymakers is essential to achieve this goal.
- **Continuous Advocacy and Recommendations:** We advocate for the competent authority to conduct reviews of the December 2022 baseline and suggest including additional review triggers such as exceptional events. Involving industry in the review process is crucial, as accurate data on cash usage, including POS transactions, remains essential for making informed decisions. Additionally, legislative measures propose defining criteria for ensuring reasonable access across different regions, with triggers for reviews, including post-census assessments, ministerial requests, or significant drops in

cash demand. In this regard, we propose accumulative assessments to ensure timely adaptations.

- **Post offices:** Post offices fulfil a critical role as access points for cash. An Post's contribution to maintaining cash supply in communities is increasingly essential, as it maintains a number of agency banking arrangements with retail banks. An Post and Postmasters are committed to ensuring continuous cash supply and everyday banking services for communities. We propose that the government, retail banks, and An Post to collaborate in sustaining a resilient cash system. Additionally, we advocate for the continuation of the current Government grant for Postmasters beyond the initially agreed three-year term.

Please do not hesitate to contact us if you require further detail on any of the points raised above.

Yours faithfully,



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