An Roinn Airgeadais
Department of Finance

National Payments Strategy

Public consultation

Prepared by the International Finance Division,
Department of Finance
www.gov.ie/finance

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1. Introduction

The Irish and European payments landscape is undergoing a period of significant change and rapid innovation with new market players and business models providing a range of innovative services such as digital wallets to consumers over recent years. Since the development of the National Payments Plan (NPP) over ten years ago, the payments landscape in Ireland, as well as globally, has changed fundamentally and further major changes are likely in the next decade.

The 2013 NPP covered a period when Ireland was undergoing a digitisation transformation, moving from analogue technology and paper to digital technology and processes in order to become more efficient. Building on this digitisation we are now in a period where the Irish economy and society are digitalising. Digitalisation is about transforming entire processes, and applying new technologies bringing new and dramatic levels of innovation to all sectors.

In Ireland, the banking sector has undergone a fundamental transformation in recent years. A level of change that led to the Government's decision to undertake a Retail Banking Review[1] (RBR) to examine the changes, their impact on business and consumers, and understand the implications for the future of the sector. Notable changes include a reduction in the number of traditional retail banks serving the sector has reduced from twelve to three as banks were amalgamated, or closed down, and while foreign owned entrants exited the Irish retail market. In parallel, Ireland's FinTech sector has grown in importance[2]. There has also been a considerable acceleration in technological developments, for example smart phones[3], contactless payments and the pace of uptake of these innovations have been boosted by the Covid-19 pandemic. Spurred on by the pandemic, Ireland's payments landscape has become increasingly digital. As in most countries, the pandemic changed people's habits, but also helped hasten existing trends such as the shift to digital payments, in particular contactless payment, the reduction in cheque usage, and the digital transformation of businesses by pushing them to conduct more transactions online.

Reflecting these developments, the RBR, published in November 2022, stated that:

> *The Review Team recommends a National Payments Strategy be developed. Work should start in early 2023, and the work should be completed in 2024. This strategy should set out a roadmap for the future evolution of the entire payments system. The strategy should take into account developments in digital payments, and guide how future changes should be made to access to cash criteria and other issues.*

Furthermore, the RBR recommended that the Department of Finance develop *Access to Cash* legislation and prepare Heads of a Bill in 2023 for this area of work.

[1] Source: gov.ie - Retail Banking Review - November 2022
[2] Source: Ireland: Financial Sector Assessment Program-Technical Note on Oversight of Fintech
[3] Source: ComReg's Mobile Consumer Experience Survey

On 27 June 2023, the Terms of Reference (ToR) for the National Payments Strategy (NPS) (see Annex 1) were published. They set out that the Strategy should be informed by, and aligned with, the Retail Payment Strategy[4] of the European Commission and the Eurosystem's Cash Strategy[5].

The ToR highlight that the goal of NPS is to '*enhance and build public trust in, and the effectiveness of the payments system*', based on the following interlocking principles:

- Access and Choice – promoting reasonable options for consumers and small businesses
- Security and Resilience - of the payments system and system operators
- Innovation and Inclusion – future focus that enhances interoperability and inclusion
- Sustainability and Efficiency – solutions that have regard to cost / benefit and the environment.

Following the publication of the ToR, the European Commission published on 28 June 2023, proposals related to payments: PSR[6] and PSD3[7]. PSR involves a "Proposal for a regulation of the European Parliament and of the Council on payment services in the internal market and amending Regulation (EU) No 1093/2010". PSD3 relates to a "Proposal for a directive of the European Parliament and of the Council on payment services and electronic money services in the internal market amending directive 98/26/ec and repealing directives 2015/2366/eu and 2009/110/ec". In addition, the European Commission adopted a legislative proposal on the legal tender of euro banknotes and coins and the digital euro proposal[8].

The Department of Finance has established a dedicated team to develop the NPS. This team is engaging with the key stakeholders in the public and private sectors to ensure the NPS incorporates input from across society on the areas covered by the ToR, especially the four principles driving this work. In addition, the team is seeking the views and perspectives from the wider public, both business and consumers from across all parts of society and the economy. In overall terms, the stakeholder engagement includes:

- Public consultation – The team preparing the NPS want to obtain the considered opinion of stakeholders, including the public, on key aspects of the NPS. This is critically important given that the issues being dealt with as part of the NPS have significant impact and consequences for consumers, SMEs, the economy and the retail banking sector in Ireland.

[4] Note: The retail payments strategy for the EU aims to further develop the European payments market so Europe can benefit fully from innovation and the opportunities that come with digitalisation. Source: Retail Payments Strategy for the EU

[5] Note: Strategy implemented by the ECB which aims to ensure that cash remains widely available and accepted as a means of payments and a store of value. Source: The Eurosystem's cash strategy (europa.eu)

[6] Source: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on payment services in the internal market and amending Regulation (EU) No 1093/2010

[7] Source: Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on payment services and electronic money services in the Internal Market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC

[8] Source: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the legal tender of euro banknotes and coins

- Targeted engagement – The team preparing the NPS will engage with key stakeholders involved in payments in order to inform final recommendations.

The consultation paper is being hosted online at https://consult.finance.gov.ie/en, with a closing date for submissions of **14 February 2024**.

We intend to publish the contents of all submissions received in response to the consultation. We will redact personal data prior to publication. In responding to this consultation, parties should clearly indicate where their responses contain personal information, commercially sensitive information or confidential information which they would not wish to be released.

2. Structure of the public consultation paper

This consultation is divided into seven sections. Each section sets out the context and asks questions that guide stakeholders in their responses. The deadline for responses is **14 February 2024**. Responses received after this deadline may not be considered. For your convenience, all of the questions included in this consultation paper are also consolidated in Annex 3.

Section number	Section name	Brief description of section
1	Introduction	Outlines current status of the NPS, and how the Department of Finance is engaging with stakeholders.
2	Structure of the consultation paper	Provides an overview of each section that is contained within the public consultation paper.
3	Objectives of the NPS	There are four principles for the NPS, how these are interpreted and considered by the NPS is discussed.
4	Payments roadmap	Sets out the current payment landscape in Ireland.
4.1	Review of the NPP	Reviews the outcomes of the 2013 NPP.
4.2	Digital payments, cash and cheques	Describes the usage and trends of digital payments, cash and cheques in Ireland.
4.3	Consumer preference	Describes consumer preferences in relation to various payment methods.
4.4	Instant payments	Outlines the limited take up of instant payments.
4.5	Payment fraud	Outlines the evolving issue of payment fraud.
4.6	Open banking	Outlines the challenges to open banking and digital exclusion.
4.7	Digital euro	Outlines the role of a digital euro and current preparations.
4.8	Crypto-assets	Describes current developments and arising issues in relation to crypto-assets.
4.9	Data collection and analysis	Outlines issues around data in the payments market.
5	Access to cash	Provides an overview of the current access of cash in Ireland and the European context.
5.1	Cash usage in Ireland	Outlines the current levels of cash usage in Ireland.

5.2	Future changes to the legislative access to cash criteria	What if any changes should be made to the criteria for "reasonable access" to cash in the medium to long term.
6	Acceptance of cash	Provides an overview of the current acceptance of cash in Ireland and the European context.
6.1	Cash acceptance for key sectors	Describes the current EU Legal tender proposal and the considerations for domestic legislation on this topic.
6.2	Government policy on cash acceptance or facilitation of cash	Outlines the role of cash current for public bodies and considerations for a cross-government policy on cash.
7	Providing feedback and next steps	Outlines how stakeholders can respond to this consultation paper along with the next steps in the NPS process.
	Glossary	Description of key terms used in the consultation paper.
	Annexes	Annex 1 – Terms of reference Annex 2 – Abbreviations Annex 3 – Consultation questions Annex 4 – About you

Timeline

Submissions to the public consultation should be made at https://consult.finance.gov.ie/en by **14 February 2024**.

We intend to publish the contents of all submissions received in response to the consultation. We will redact personal data prior to publication. In responding to this consultation, parties should clearly indicate where their responses contain personal information, commercially sensitive information or confidential information which they would not wish to be released.

3. Objectives of the NPS

The ToR of the NPS state that, the overarching goal of the NPS is to enhance and build public trust in, and the effectiveness of, the payments system. In developing the NPS, four key principles will guide the work:

- Access and Choice – promoting reasonable options for consumers and small business.
- Security and Resilience – of the payments system and system operators.
- Innovation and Inclusion – future focus that enhances interoperability and inclusion.
- Sustainability and Efficiency – solutions that have regard to cost / benefit and the environment.

The scope of the NPS is primarily focused on the experiences of, and outcome for, consumers and small business within the retail payment system. Lessons from the NPP, which had a relatively short timeline of three years, suggests that any future payments strategy should cover a longer timeline but be adaptable to changing circumstances. The NPS will therefore likely cover a period up to 2030 as this aligns with current EU legislative proposals already in progress. These EU payment developments include PSR, PSD3 and the digital euro.

ACCESS AND CHOICE

When we buy goods or services in a shop or online, or receive our wages, the **how we pay** is at times taken for granted. However, payments are vital for the functioning of our society and economy. Different types of payment are designed to meet a variety of needs. Participants in the payments sector should provide for the needs of everyone who makes and receives payments.

Digital technologies are increasingly becoming more embedded in our daily life. These new technologies have increased the payment options available to consumers and have allowed for greater choice as new options are emerging. Within these options, consumers are increasingly choosing digital payment methods over more traditional forms of payments such as cash, cheques, etc. This outcome is in line with the Government's National Digital Strategy[9] which states that 'Our goal is to be a digital leader at the heart of European and global digital developments'. The National Digital strategy will further enhance the digitalisation of Irish society, which enables digital

[9] Source: Harnessing Digital -The Digital Ireland Framework

payments in two significant ways; improving consumer and households access to high-speed internet (5G and Gigabit network) while and increasing the digital intensity of small and medium enterprises (SMEs). While these two developments do not directly target the payment landscape, they will enhance the convenience and access to digital payments throughout the country via improved connectivity and functionality.

Ensuring that Irish consumers and small businesses have access to a variety of payment methods in line with their Europe peers will be an important focus for the NPS, specifically in instant payments, open banking and new request to pay mechanisms. The Strategy will also look at what can be done to enhance choice in respect of non-card payment options within digital payments.

The NPS will support the evolution of the overall payment system, maintaining ongoing access to a choice of payment methods in line with options available to other European peers. The Strategy will also look at what can be done to enhance choice of non-card payment options within digital payments in this regards. It is critical that the Irish payment system provides citizens with equal access to a range of payment options that meet their needs. Payment services should be accessible on a fair, open and transparent basis, including cash for those who rely on it. Payment services are a critical part of modern life that provide a vital infrastructure to how we live and work.

SECURITY AND RESILIENCE

Increased digitalisation and fragmentation of the payment system with the emergence of more actors and payment methods than ever before, may increase the need for inter-operability, as well as a greater reliance and dependence on digital payment infrastructure. In the National Cyber Risk Assessment 2022[10], the impact of significant or prolonged disruption impacting upon payment, clearing and settlement arrangements have major disruptive effects that can impact upon all sections of the economy. This could, for example, impair the ability of Government and private organisations to process payrolls, undertake essential purchases and to make payments online. While this outcome is outside the scope of the NPS it is an important factor and consideration in the security and resilience of the overall system. The role of cash and the digital euro are both potential methods to improve system resilience that are within the scope of the NPS and will, therefore, be explored.

The use of cash at 'point of sale' (PoS) is falling steadily and we are increasingly using digital payment methods. Nonetheless cash serves an important contingency function for digital payments. For many people, cash also continues to be the payment of choice for a variety of reasons. Over the last number of years, we have seen significant changes in the cash cycle in terms of stakeholders and infrastructure[11] (as noted in the Central Bank of Ireland ('Central Bank') Access to Cash Report[12]). As a result, there is a continued need to ensure that a resilient cash

[10] Source: gov.ie - National Cyber Risk Assessment 2022
[11] Note: Retail banks are moving away from provision of access to cash infrastructure by placing reliance on other third parties to provide these services – i.e. independent ATM deployers now dominate the provision of ATM services and An Post play a crucial role in terms of branch/over the counter services.
[12] Source: gov.ie - Central Bank of Ireland - Access to Cash Report

cycle can absorb shocks without undue disruption. This will, therefore, be examined in the Strategy.

In order to ensure that the Irish payment system is resilient, it must be trusted by its retail participants and consumers. Fraudulent activity within the Irish system payments system can negatively impact its trustworthiness, and therefore its resilience. Consequently, the NPS will also focus on digital fraud and potential measures to reduce, and mitigate fraud as it evolves over time in an increasingly complex world.

INNOVATION AND INCLUSION

Ireland has a strategic advantage in the innovation space because we are home to a very strong ecosystem of multinational and indigenous technology companies, as well as research and academic institutions focused on digital technologies. The Government's *Ireland for Finance Strategy* noted that: in regards 'financial services Ireland is positioned to be a leader in FinTech, with the combination of its established hub for international financial services and its large global technology sector presenting the ideal conditions for innovation and growth'[13]. While globally consumers are benefitting from this innovation there are obstacles in the Irish system, which deny the ability of Irish consumers and small businesses to benefit fully from the payment options available. These blockages also reduce competition in the market. The NPS is seeking to understand and mitigate these blockages to enable more and better outcomes for consumers and SMEs, for example, better interoperability between payment system participants. The NPS is also seeking to support and spur at a domestic level, the various pan-European initiatives underway currently as well as those that will be developed over the timeframe of the Strategy to ensure Ireland remains a digital front-runner in Europe and contributes to the enhancement of European strategic autonomy within the EU.

It is important that while the Government supports the promotion of the increasing digitalisation of the payment system, it also ensures that participation in that system is not stopped or hindered for those who have difficulty accessing digital technologies. These may include those groups who are older, with lower income levels, limited digital or low literacy skills or those without internet access. The *National Digital Strategy* further noted that '*With the spread of digital technology in daily life accelerating at a faster pace than peoples' skills and ability to use it, some individuals may be at risk of being left behind. Older cohorts and disadvantaged socio-economic groups are especially vulnerable. Without basic digital skills, citizens risk being excluded from our increasingly digitalised society'*. It is also worth noting that innovation takes place not only within digital payments, innovation within the cash cycle occurs and can enhance inclusion, for example, cash lodgement machines, mobile ATMs or even cashless ATMs.

In developing the NPS, it will be important to understand and assess the impact of vulnerable groups' experience with accessing and availing of payment services, and, in particular, their interaction with the Government and essential public services, but also some privately provided, services. While increased digitalisation can be problematic for some, there is a need to strike a balance to ensure that any difficulties can be identify and mitigating actions put in place to permit

[13] Source: Updated Ireland for Finance Strategy

unhindered ease of use by vulnerable groups. Therefore, there may be potential to reallocate resources, to provide additional support to vulnerable groups, and the National Digital Strategy noted that '*increased migration to digital services, in a user-centred way, will also facilitate the freeing up of resources to better support those who may struggle with technology, and/or may not be in a position to independently engage online*'.

Inclusion within a rapidly changing payment system for vulnerable groups is of vital importance. Vulnerable groups such as older people, lower income groups, migrants, people with intellectual disabilities, those with limited financial literacy or the unbanked must be able to participate fully in the economic life of Irish society. How this is done will be examined in more detail in the Strategy, and this may include, measures in the National Financial Literacy Strategy[14], or wider consumer protection/education activities.

SUSTAINABILITY AND EFFICIENCY

As the digitisation of the payments system increases, it will rely upon the provision of out-sourced computing and processing services including data centres and related activities. These service providers consume large amounts of energy and, as such there is a need to ensure the payments system and its participants contribute positively to the Government's Climate Action Plans. The European Payment Council[15] noted the physical parts of the payment chain represent a significant environmental impact namely payment terminals, card manufacturers and issuers; device manufacturers; and cloud services. Sustainability has to be central to the future of payments to ensure that national and international climate and energy commitments underpin their development and implementation in a rapidly decarbonising world in the coming decades as we approach net zero Carbon in 2050.

The 'cash cycle' refers to the way in which cash is produced, distributed, circulated, returned and ultimately destroyed by the Central Bank when it reaches the end of its useful life. This involves the Central Bank, cash-in-transit (CIT) firms, retail banks and An Post as well as Independent ATM deployers (IADs). With cash usage declining nationally over recent years, there is less cash flowing through the cash cycle and increasing unit costs for cash cycle participants. There is, therefore, a need to rationalise the cash cycle and its associated infrastructure to ensure that it serves the users of cash while also ensuring that the cash cycle is managed as efficiently as possible while it dynamically contracts and associates costs rise in tandem with this decline in use.

The NPS will focus on the future reasonable access to cash and the required level of efficiency that can be considered to the future cash cycle. In that context, the NPS will also reflect on the climate impact of the cash cycle and potential improvements to ensure its sustainability.

[14] Source: gov.ie - National Financial Literacy Strategy (www.gov.ie)
[15] Source: Green payments: sustainability by design for a more viable future | European Payments Council

Questions

The NPS is interested in the public's views on the timeline and the vision for the NPS, the proposed timeline to 2030 aligns with developments in the area, including EU legislation.

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

3.2 What reflections have you on the NPS principles?

3.3 What are the main issues that undermine consumer trust in the Irish payment system?

3.4 The NPS will set out a vision for the payments system, what is your vision for the Irish payments system?

4. Payment roadmap

The RBR recommended that the NPS "*set out a roadmap for the future evolution of the entire payments system, taking account of developments in digital payments, the use of cheques and other issues*". Accordingly, this section seeks to detail the change in payment behaviours and attitudes in Ireland over the last decade, covering trends in the use of the main means of payment in Ireland, including, digital payments, cash and cheques.

The section also covers salient issues in the world of payments, which are particularly relevant in an Irish context, such as a review of the 2013 NPP, an assessment of payment data published by the Central Bank, the extent to which it addresses existing data gaps as well as considering further research and analysis on payments. In addition, this part of the Consultation Paper considers payment fraud, and the extent to which the European Commission's proposals on PSR and PSD3 addresses prominent payment fraud issues in Ireland. The current state of play in the provision of instant payments in Ireland is also examined, specifically seeking views on how best to counter the current low take-up in Ireland. The issue of open banking is explained with questions posed to help us identify existing barriers in an Irish context. Finally, the digital euro as a coming feature of the payment landscape is set out.

4.1 Review of the NPP

WHAT WAS THE NPP?

In 2013, the NPP[16] was published by the Central Bank set out a strategic direction for how payments would be made in Ireland. It set out a programme of reform for the payments sector with the ambition that Ireland would go from being a relative laggard in terms of payment technology usage to a leader, given our young demographic profile, our high rate of mobile phone penetration and the presence in Ireland of some of the world's leading payment innovators.

The 2013 NPP had one headline target '*that Ireland would double the number of e-Payments per capita by 2015, leading to a reduction in cash and cheque usage to the EU average'*. To enable this outcome, the NPP set out 18 actions to transform the way payments were made in Ireland in five areas. The majority of actions were under the first area – the promotion of e-payments. The other areas included: actions on cheque reduction, cash efficiency; Single European Payment Area (SEPA); as well as education and support.

DID THE NPP DELIVER CHANGE?

Since the NPP was published in 2013[17], the use by consumers of e-payments has dramatically increased. An Indecon[18] 2018 report commissioned by the Department of Finance, found that the scale of progress made in increasing the number of e-payments and reducing the number of cheques may be greater than previously assumed. While higher usage of electronic payments can

[16] Source: National Payments Plan (centralbank.ie)
[17] Note: In the period since 2013, there has been some volatility and evolution in the datasets collected by authorities.
[18] Source: Indecon Report on Benchmarking of Ireland's Payments Industry

be seen in Scandinavian countries, by 2018 Ireland had a higher number of e-payments per capita compared to the EU average and Ireland's card usage was 35% higher than the EU average. In the period Ireland did, in fact, go from being a laggard to slightly better than average within the EU.

In 2021, the volume of e-payments in Ireland totalled 2,255 million (451 per capita) compared to 599 million (131 per capita) in 2011 representing a 276% per capita increase. In 2021, 95% of all transaction volumes in Ireland were e-payments, and 5% were cash/cheque, compared to 94% and 6% respectively in the EU. As a result of increased e-payments in Ireland, cheque usage in parallel has fallen from 90 million in 2010 (Indecon 2018 Report) to a record low of 20 million in 2021 (Central Bank data). Cheques now account for less than 1.1% of all non-cash payments by volume and this has been a consistent downward trend annually since the 2010 figure.

Subsequent developments, such as the increasing digitalisation of daily life, via smart phones, and online shopping, in the payments ecosystem have also contributed to the significant shift in consumer payment preferences towards digital solutions, it is likely that many of the NPP initiatives also acted as a catalyst to accelerate the modernisation of the Irish payments market. These trends reflect similar developments in other developed countries and across the EU. The impact of Covid-19 on the purchase of goods and services online, combined with a decrease in the use of cash in face-to-face transactions and a resulting rise in e-payments, was also major contributory factors.

In the BPFI Q1 2023 payment monitor[19], they noted that Ireland had the fourth highest internet banking penetration in the EU (after Finland, Denmark and the Netherlands) with 86.3% of people aged 16 or over saying they used internet banking in 2022, the special focus in this edition of the monitor was not repeated in the subsequent edition. A recent report conducted by the Department of Finance[20], found 86% of those with a current account have used online banking – up from 81% in 2022 (usage was lowest amongst those over 65 and with income below 24k per year at 60% and 66%) with 65% using online banking at least weekly, with 80% using online banking at least monthly. This increased digitalisation was an important and significant enabler for digital payments. However, there is still a notable non-banked population which is more prevalent in already vulnerable groups, older people, members of the travelling community, migrants and those from certain social-economic groups.

There have been important changes in digital payments impacting on the enterprise sector. These include the fact that almost half of Irish credit card expenditure is now made online, with many businesses also offering e-commerce facilities.

On this basis, the 2013 NPP delivered on its headline target, as well as on many of the actions which underpinned this goal. However, in the intervening period, a greater focus has developed on the need and importance of resilience within the payment system (both cash and digital), a requirement to reduce the number of payment issues arising, for example operational risk incidents, as well as that of reducing new forms of fraud.

[19] Source: BPFI-Payments-Monitor-Q1-2023.pdf
[20] Source: Department Consumer Sentiment Banking Survey August 2023

Indeed, the Indecon 2018 report specifically raised concerns about the security and the continuity of payments systems in Ireland, suggesting the need for contingency planning to provide for the risk of an outage in electronic payments Increased awareness at a EU level of operational resilience more broadly has been shown though the Digital Operations Resilience Act (DORA) which was published in the Official Journal. This includes a Regulation and a Directive on digital operational resilience for the financial sector. This Regulation is now in force and will apply in full from January 2025.

DORA applies to a wide range of financial entities[21]. For the first time, DORA brings together provisions addressing digital operational risk in the financial sector in a consistent manner in one single legislative act.

Given the early development of digital payments in 2013, these were areas of limited focus within the NPP and, therefore it is timely and important that they should be addressed in the NPS especially given the level of technological change and innovation in the last decade. The NPS team will consider the identification and development of targets within the NPS that focus on the resilience of the payments landscape.

4.2 Digital payments, cash and cheques

"Digital Payment" is a broad term which covers the transfer of value electronically, without the use of paper based instruments such as cash or cheques. The European Commission has noted that "*most of the new digital payment solutions are still largely based on traditional cards or bank transfers, irrespective of whether they are offered by incumbent banks, card companies, financial technology firms (FinTechs), or BigTechs".*[22] Digital payments have become more prominent in the Irish payments ecosystem, as demonstrated by the rise of such payments in Ireland to over 1.8bn transactions in 2021. This increase in digital payments is due to a number of factors including the increasing range of digital services on offer in the Irish market, and consumer preference over the Covid-19 pandemic.

The 2018 Indecon report noted that;

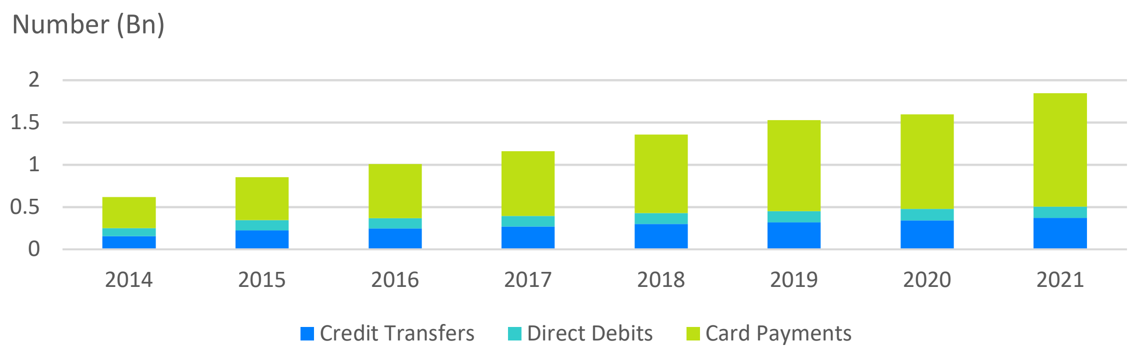
"Ireland is ranked 10th out of 27 European countries for the combined use of card payments, credit transfers and direct debits, and is ahead of the EU average. Ireland's overall ranking reflects a high ranking in terms of card usage (8th). The highest usage of electronic payments can be seen in Sweden and Finland followed by the Netherlands. The figures for SEPA include payments related to traditional banks, but also new entrants such as Revolut and N26, while the card payment statistics include payments using ApplePay or GooglePay. Despite the growth in electronic payment, cash and cheques continue to be important payment mechanisms in Ireland. Since 2012, however, there has been a notable reduction in the annual number of ATM withdrawals per capita, and a fall in the number of cheques issued per capita. The evidence suggests that Ireland is

[21] Source: Digital Operational Resilience Act (DORA) | Central Bank of Ireland
[22] Source: Retail Payments Strategy for the EU

currently experiencing a very marked change in behaviour and a move towards electronic-based payments."[23]

This sentiment is supported by Central Bank data based on provision of services by bank and non-bank PSPs (i.e. entities licensed to provide payment services such as a post office), headquartered in Ireland. Figure 1 demonstrates that the number of digital payments have more than tripled in the period 2014-2021.

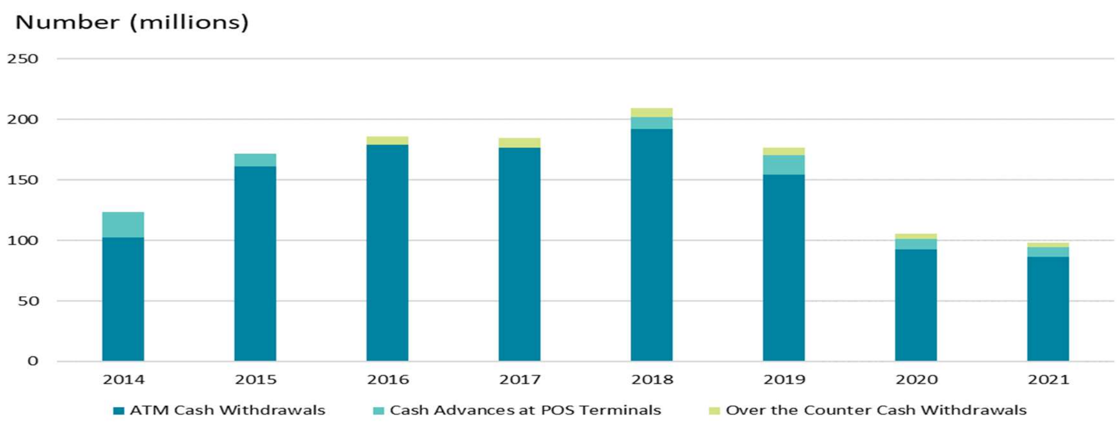
Figure 1: Total domestic electronic payments by volume of payment instrument



Source: Central Bank of Ireland Payment Statistics / [ECB Data Portal]

The NPS uses ATM withdrawals as a proxy measure for cash spending due to data availability issues and the complexity in tracking cash transactions. When looking at ATM withdraws, Figure 2 and Figure 3 illustrate the decline over the last number of years. The volume of ATM withdrawals in Ireland have declined from a high of 192 million in 2018 to a low of 86 million in 2021 as highlighted in Figure 2.

Figure 2: Breakdown of cash withdrawal volume

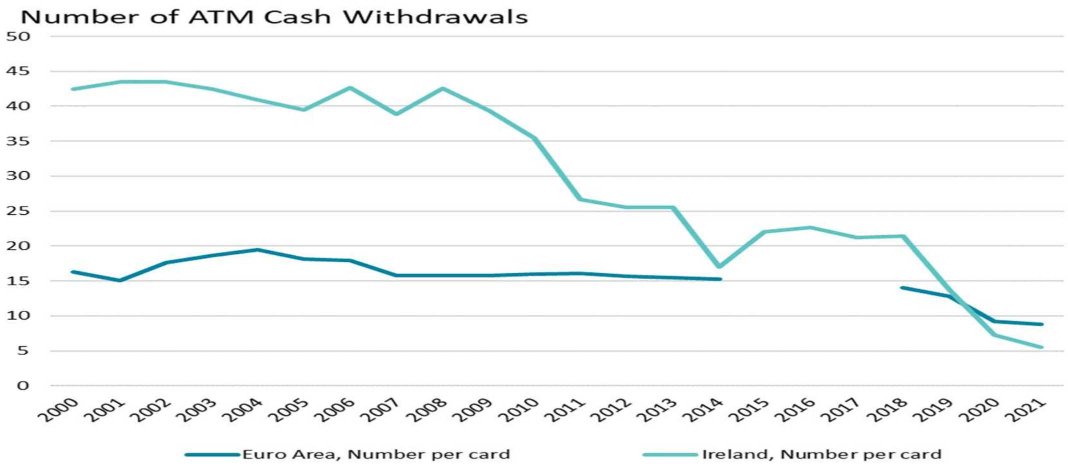


Source[24]: Central Bank Payment Statistics 2021 / ECB Data Portal

[23] Source: Indecon Report on Benchmarking of Ireland's Payments Industry
[24] Note: For the years 2014 and 2015, 'Number of OTC cash withdrawals', this item was not reportable for these two years. For the years 2016 and 2017, 'Number of cash advances at POS terminals' for reasons of statistical confidentiality the amounts are reported as blanks.

In fact, Figure 3 indicates that the number of withdrawals with an ATM card is a fraction of what it was 20 years ago. In 2000, the average Irish person used their ATM card to make a withdrawal 42 times a year. By 2021 this had fallen to six withdrawals per year, which is lower than the euro area average of nine.

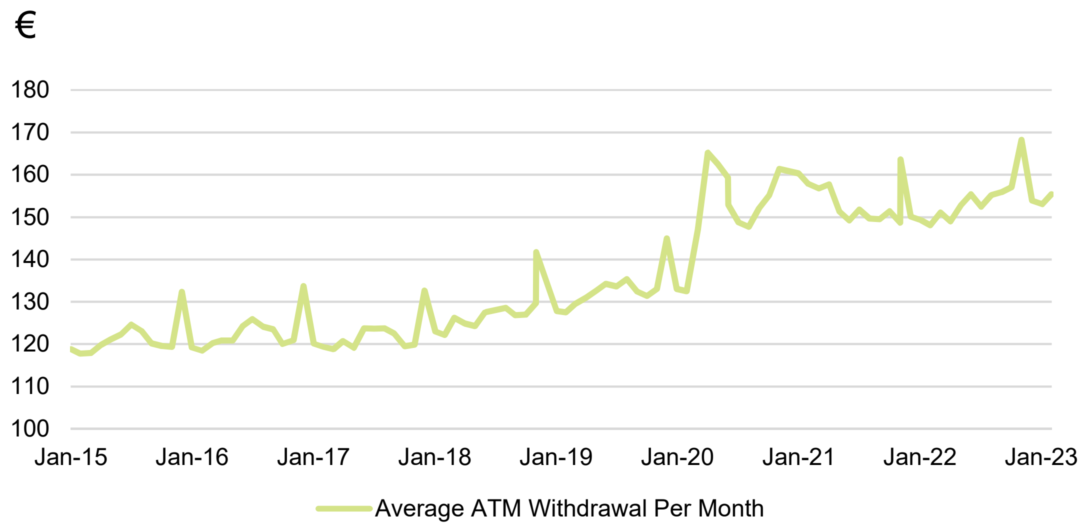
Figure 3: ATM withdrawal per cards issued by resident PSPs by volume[25]



Source: Central Bank Payment Statistics 2021 / [ECB Data Portal]

The decreasing number of ATM withdrawals per card, is contrasted with the growth in the average value, which has been on an upward trajectory, as shown in Figure 4. In January 2015 the average withdrawal amount was €118 which grew to €154 by January 2023, of course this is influenced by a number of factors, besides payment instrument preference, such as inflation.

Figure 4: Average monthly ATM withdrawals **- value**

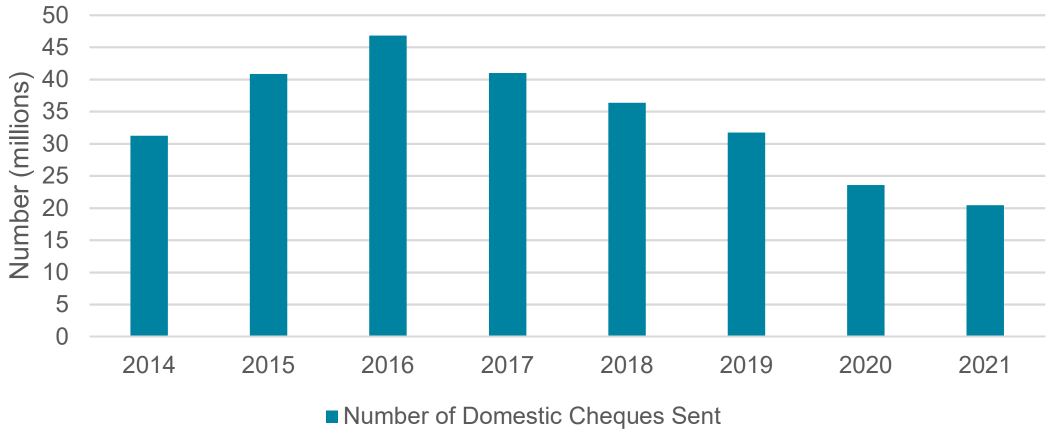


[25] Note: The 2015, 2016 & 2017 data points for "Euro area, Number per card" have not been included due to confidentiality concerns.

Source: Central Bank Payment Statistics 2021

The use of cheques has seen a marked decline since 2016 when the overall number of cheques lodged in the country for the year reached high of 47m as compared to 2021 this had fallen to 20m as demonstrated by figure 5.

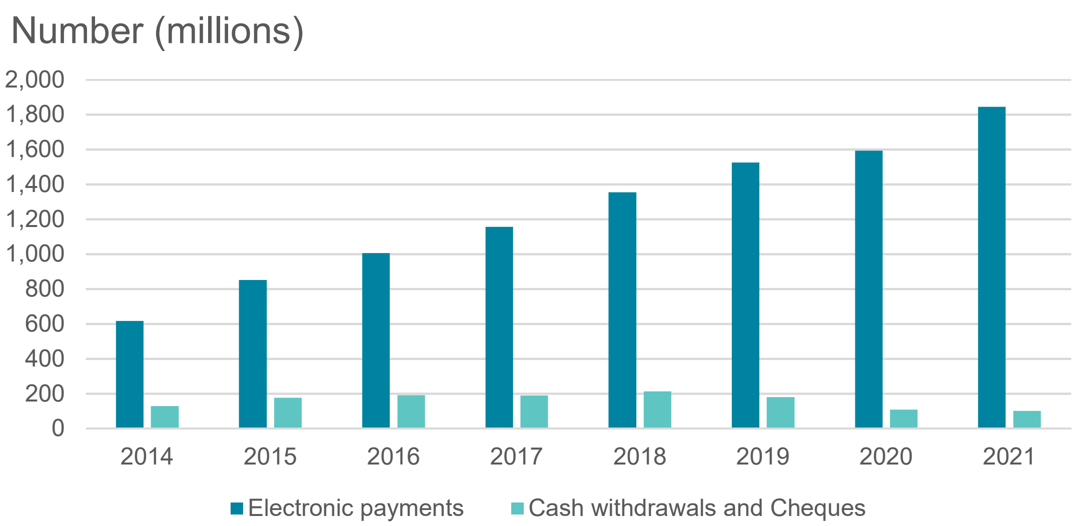
Figure 5: Number of domestic cheques sent



Source: Central Bank Payment Statistics 2021 / [ECB Data Portal]

It is noteworthy that when compared, digital payments have increased steadily, while the usage of cheques and cash withdrawals have decreased, as shown by Figure 6. Though the increase in overall payments may also be attributed to an increasing population and economy, younger age profile and greater digital penetration in Ireland.

Figure 6: Electronic payments, cash and cheque withdrawal transaction volumes

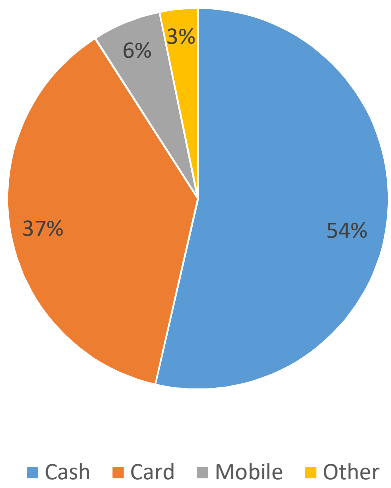


Source: Central Bank Payment Statistics 2021 / ECB Data Portal

4.3 Consumer preference

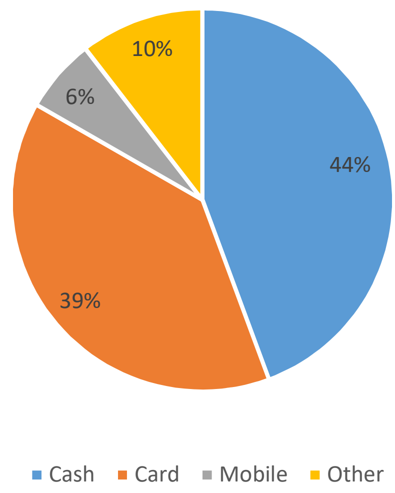
According to the European Central Bank's (ECB) Study on the Payment Attitudes of Consumers in the Euro area (SPACE) survey[26] conducted in 2022[27], at PoS, cash remains the dominant payment method for Irish people. Approximately half of all transactions are conducted through cash and, the value of these transactions also constitutes the greatest share of payment instrument used at PoS as shown by Figure 8. Figure 7 highlights that card transactions also make up a substantial proportion of Irish transactions with over one in three transactions being conducted by card when making an in-store purchase.

Figure 7: Share of payment instruments at POS in Ireland by volume



Source: ECB SPACE Survey

Figure 8: Share of payment instruments at POS in Ireland by value



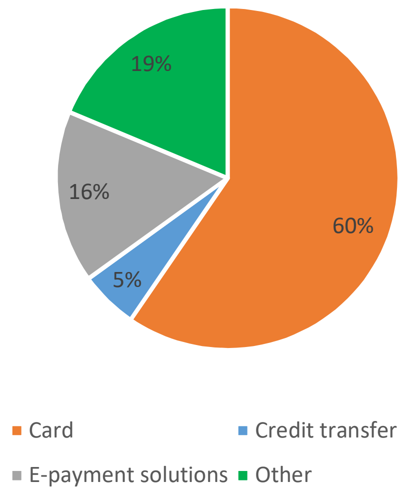
Source: ECB SPACE Survey

With regard to online transactions, card is the dominant means of payment at 60% volume of all transactions which constitutes 56% of the total value, the remaining transactions come from a combination of card, credit transfer, e-payment solutions etc. as indicated in Figure 10.

[26] Source: ECB SPACE

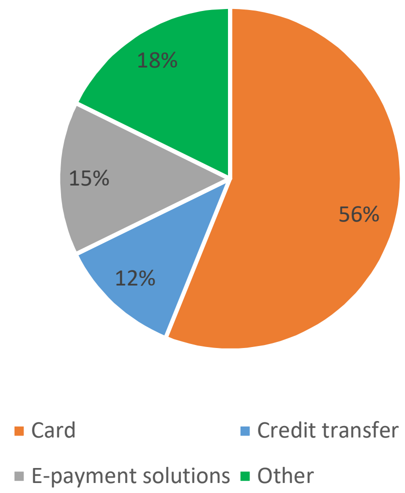
[27] Note: The reader should be aware that this analysis is based on a survey conducted in a single year, and as such demonstrates a point in time, as opposed to a trend.

Figure 9: Share of payment instruments used for online payments in Ireland by volume



Source: ECB SPACE Survey

Figure 10: Share of payment instruments used for online payments in Ireland by value

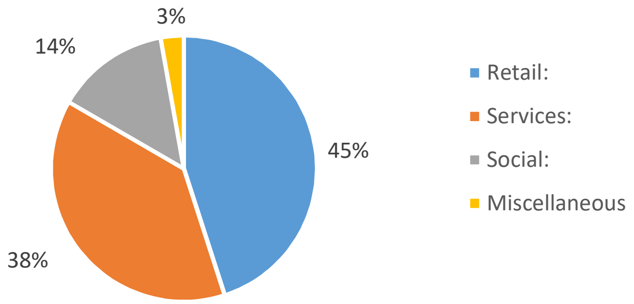


Source: ECB SPACE Survey

Data from the Central Bank provides a breakdown of card expenditure by sector[28]. Figure 11 provides a snapshot of a specific point in time based on data for June 2023. This shows that the retail sector had the highest percentage of card expenditure at 45% of total expenditure, with groceries and perishables being the largest subsection within that. Services make up the second largest proportion with 38% of total card expenditure, followed by the social (14%) and miscellaneous (3%) categories.

[28] Note: Online payments are defined by ECB SPACE as "any payments made online, excluding regular bill payments such as electricity bills or rent." If a purchase is conducted at the PoS, this is counted as a PoS purchase.

Figure 11: Irish residents card expenditure by sector, June 2023



Source: [Central Bank Monthly Card Expenditure by Sector]

According to Central Bank data, when compared against cash withdrawals, digital payments are the preferred means of payment in Ireland. Moreover, digital payments have enjoyed a steady increase in their use, tripling in the surveyed period. While cash withdrawals are a fraction of the overall number of payments compared to credit transfers, direct debits and card payments, it is important to note however, that a single cash withdrawal can represent multiple payments. The ECB SPACE survey data shows that in specific circumstances such as PoS payments, cash remains the preferred form of payment. While drawing on separate sources limits a direct comparison, it does serve to build a more nuanced understanding of the Irish payments landscape, in that payment preference is depended on the situation of the payer, and the data analysed.

Questions

The previous NPP in 2013 sought to make electronic payments the preferred means of payment for most people and to accelerate the decline in cheque usage. In contrast, a key of objective of this Strategy is Access and Choice by promoting reasonable options for consumers and small businesses.

4.1 Do you think that there is a reasonable level of choice in the payment methods currently available to consumers in Ireland?

4.2 If not, are there any initiatives that could be undertaken in addition to the legislation currently in train at an EU and domestic level, to better promote access and choice?

4.3 How can the NPS continue to support vulnerable groups access to the payments system?

4.4 Instant payments

WHAT ARE INSTANT PAYMENTS?

The NPS seeks to assess and consider the next steps to support the uptake of instant payments in Ireland. Instant payments facilitate an instant transfer of funds, when making a credit transfer, buying something online, or even making a physical PoS purchase. Specifically instant credit transfers (or instant payments[29]) are a form of credit transfer whereby funds pass from the payer's account to the payee's account within 10 seconds, at any time, day or night, and on any day of the year.

This distinguishes instant payments from other credit transfers, which are processed by the PSP only during business hours, with the funds credited to the payee only by the end of the following business day. Instant payments offer a variety of benefits to consumers and businesses alike. These include unlocking liquidity that would otherwise be stuck in transfer. These funds can then in turn, be used to consume more goods and services or allow payees to receive funds in urgent situations. Instant payments are a relatively recent development in the SEPA[30], as demonstrated by the relatively recent introduction of the underpinning architecture in 2017 combined with the proposed European regulation mandating their use.

Complementing instant payments are measures denoted as request to pay (RTP) mechanisms. The European Payments Council describes RTP as a messaging functionality and not a payment means or a payment instrument, but a way to request a payment initiation[31]. A creditor or merchant can send a payment request directly to their customers via a secure digital channel on, for example, their smartphone or by email with some jurisdictions using QR codes to do this. The scheme can be considered as a complement to the payment flow because it supports the end-to-end process and lies between an underlying commercial transaction and the payment itself. In this manner, RTP can be regarded as an enabler for digital payments.

While not to be confused with instant payments, although there are similarities, account to account (A2A) payments are increasingly highlighted as an area for growth. An A2A payment, more commonly known as a bank to bank payment, is a payment directly transferring money from one bank account to another bank account without the need for any additional payment intermediaries. This can be initiated in two ways, push - initiated by the party making the payment, or pull - initiated by the party collecting the payment. They are not only used by businesses but also by peers (i.e. members of the public) to send and receive money for daily interactions.

The European Commission's Retail Payment Strategy, recognises the benefits of instant payments and seeks to make them the new normal in comparison to other payment types but Ireland is lagging behind the EU average despite the infrastructure for instant payments being available since 2017. There are a number of reasons for this situation, including outdated infrastructure still used by the Irish banking system, a lack of awareness of the benefits of instant payments among the

[29] Source: ECB What are instant payments? (europa.eu)
[30] Source: ECB Single Euro Payments Area (SEPA)
[31] Source: EPC SEPA Request-to-Pay

general public and even misperception about the degree of availability of instant payments in Ireland.

INSTANT PAYMENT INFRASTRUCTURE

In order to increase the uptake of instant payments and make them a reality for Irish consumers, PSPs need to connect to the relevant financial infrastructure the financial plumbing that makes them work.

Currently, the Irish market, which is highly integrated into the global economy, is marked by a reliance on off-shore payments infrastructure. For example, credit and debit card transactions in Ireland depends on the offshore systems operated by MasterCard and Visa. For Irish payment service providers seeking to provide instant payments to their customers, the two systems available to them to process such transactions, are TIPS (Target Instant Payment Settlement), and/or RT1. The standards allowing these infrastructures to facilitate payments are contained within scheme known as SCT Inst (SEPA Instant Credit Transfer). The architecture for instant payments in euro payments already exists in both RT1 and TIPs. However, connecting to the infrastructure (TIPS, RT1) to facilitate instant payments has been voluntary for banks. This will change upon the entry into force of a regulation[32] covering instant credit transfers in euro, as PSPs offering instant credit transfers in euro will be required to offer an instant version of this mechanism at no additional charge.

WHAT IS THE UPTAKE OF INSTANT PAYMENTS IN IRELAND?

Only 6% of Irish BICs[33] (Bank Identification Code) are reachable within the established architecture for facilitating instant payments (i.e. SCT Inst), none of which are within the main retail banks in Ireland. This is the fifth lowest level of reachability within the SEPA with the average being 26% and it is much lower than other EU countries, such as Slovenia and Austria which have 100% and 61% of their BICs reachable respectfully[34] - the highest in the EU. Nevertheless, there may be a misperception amongst the public that instant payments are widely available in Ireland. When asked: "*Instant payments are a special type of credit transfer that enable payers to transfer money within seconds to any payee and for which no payment cards are used or needed. Is this type of service available to you?*[35]" Almost half of the respondents stated that they thought the services was available to them in Ireland.

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[32] Source: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulations (EU) No 260/2012 and (EU) 2021/1230 as regards instant credit transfers in euro

[33] Note: The list of Irish participants can be found here: the institutions listed for Ireland are: Associated Foreign Exchange Ireland Limited, Bank of America Europe Designated Activity Company, BARCLAYS BANK IRELAND PLC, CITIBANK EUROPE PLC Ireland, myPOS Limited, NoFrixion Ltd, Paysafe Prepaid Services Limited, PFS Card Services Ireland Limited, Soldo Financial Services Ireland DAC, SumUp Limited, TrueLayer (Ireland) Limited.

[34] Source: Pan-European reachability of instant payments in October 2022

[35] Source: ECB SPACE

RECENT DEVELOPMENTS

In November 2023, the Council of the EU and the European Parliament reached agreement on the European Commission's proposal for a Regulation on instant credit transfers in euro. This proposal set out a number of measures aimed at increasing the availability and use of instant payments in euro:

- All payment services providers (with very targeted exceptions)[36] that offer credit transfers in euro must offer instant payments in euro to all their customers.
- The charges for instant payments in euro must be equal to or lower than the charges for non-instant euro credit transfers.
- All providers of instant payments in euro must check the account number (an IBAN check) and the name of the payment beneficiary before the payer authorises the transaction and alert the payer about any detected discrepancy that could suggest fraud. This service will be free of charge for consumers.

Once published in the Official Journal, the mandatory nature of this Regulation is expected to increase the level of availability of instant payments in Ireland. However, legislation alone may not be enough to ensure the full roll-out of instant payments in Ireland, particularly given our current particularly low take-up in Ireland compared to other European stakeholders. For example, IBAN discrimination[37] has not been permitted since the SEPA Regulation entered into force in 2014 but problems persist. The Central Bank stated publicly in 2022[38] that IBAN discrimination continues to be an issue in Ireland, "which creates difficulties for Irish and European consumers, and raises barriers to the proper functioning of our payment system." The Central Bank has recently been empowered under S.I. No 253/2023[39] to give directions to a "person who is a payment service provider, a payee or a payer to take, or refrain from taking or to prohibit the person from taking, such actions as are specified in the direction." This allows the Central Bank to take a more direct role in the combatting of IBAN discrimination.

While IBAN discrimination has decreased significantly over the past couple of years, there remains some issues on certain types of IBAN discrimination in Ireland, which can demonstrate that legislation alone may not be sufficient to achieve the desired outcome of wide-instant payments take up in Ireland. As referenced in the data collection section of the Consultation Paper the 2022 International Monetary Fund (IMF) Financial Stability Assessment Program (FSAP) tasked the Central Bank to encourage the adoption of instant payments over the medium term 3-5 years.

[36] Note: The Commission has described these exceptions (**Link**)
[37] Note: IBAN discrimination is where an employer or company, such as a utility company, refuses to accept your SEPA IBAN for euro payments or direct debits
[38] Source: Central Bank calls on firms to prevent IBAN discrimination
[39] Source: S.I. No. 253/2023 - European Union (Requirements for Credit Transfers and Direct Debits in Euro) (Amendment) Regulations 2023 (irishstatutebook.ie)

Questions

Instant payments are not widely available in Ireland and there is a lack of consumer understanding of this position due to the availability of close alternatives, as a result the relative poor position of Ireland compared to our European peers suggests that initiatives complementing the forthcoming regulation on instant payments may be beneficial.

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

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

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

4.5 Payments fraud

Trust is one of the fundamental cornerstones of a well-functioning, resilient payment system. Fraudulent activity and the risk of being defrauded, can instil mistrust among consumers that may lead to their reluctance to use digital payments. Consequently, one of the focuses of the NPS is to assess the issue of payments fraud in Ireland and to consider potential responses to ensure that the Irish payments system is a secure and trustworthy.

It is important that fraud on a national level is considered holistically with the linkages between new trends, methods and technologies and their potential impact of fraudulent activity is fully analysed. For example, while the rollout of instant payments may bring many positives, it does have the potential to increase the levels of fraud in Ireland. This has been mitigated by the safeguards embedded in the legislation, but it is important to pre-empt possible downsides as early as possible.

The issue of payment fraud is broad and complex, but can be roughly divided into two categories: unauthorised payment fraud, and authorised push payment fraud. Ireland like other EU Member States, is currently undergoing a period of change in relation to fraud activity relating to payments. While unauthorised fraud remains the dominant form of fraud, it has been addressed via EU legislation, technological advances etc., and is declining. authorised push payment fraud on the other hand has until now not been subject to the same degree of legislative scrutiny at EU level, however, this will be addressed in forthcoming legislative texts.

Unauthorised payment fraud involves a payment being made without the authorisation of the payer. In terms of addressing this type of fraud, PSD2 which became law in Ireland in 2018, required the implementation of preventative measures such as strong customer authentication (SCA). The ECB notes that the implementation of requirements such as SCA had positive impact on the level of digital payment (card not present)[40] fraud[41]. ECB data from 2019 shows that In Ireland, for every 1000 inhabitants, 59 cases of fraud were recorded compared to an euro area

[40] Note: Card not present includes online purchases, phone orders, reoccurring payments and online invoices.
[41] Source: ECB Report on card fraud in 2020 and 2021

average of 40 fraud cases per 1000 inhabitants.[42] Unauthorised payment fraud continues to be a serious issue in Ireland and it represents the largest share of Ireland's fraud level, albeit on a declining trajectory. The BPFI's Payment Fraud reports shows that in 2022, unauthorised fraud (card fraud, paper based fraud and unauthorised electronic fraud transfer) amounts to €84.6 million[43].

Authorised push payment fraud, involves the use of social engineering techniques by the fraudster to deceive the payer into making a payment to someone other than the intended recipient or for a purpose other than what led the payer to make the payment. Losses from this type of fraud amount to €9.9 million the lowest level since this reporting began and significantly lower than unauthorised fraud, according to the BPFI[44]. The reasons for the decreasing level of authorised push payment fraud are unclear, particularly as the majority of measures to address such fraud are due to be implemented incoming as part of the PSR. While the value of this type of fraud may be declining, it has a very high profile in Ireland and receives ongoing coverage in the media.

On 16 June 2023, ComReg issued a consultation on combatting scam calls and texts[45] in which it points out that "Ireland, as an English-speaking country with a developed economy, is disproportionately targeted compared with our EU neighbours." Some of the statistics in the report include that:

- Over 90% of adults in Ireland have received a scam call to their mobile phone in the last year;
- 84% have received some form of scam text;
- The most impersonated organisations are banks along with postal and courier services;
- Younger demographics are more susceptible to fraudulent calls often due to pre-existing affinity with mobile technology;
- Older generations while less susceptible are more concerned over scams.

On 28 June 2023, the European Commission published proposals for PSD3 and PSR. These proposals amend and modernise the current PSD2. The proposed revisions to PSD2 represent a package of changes which will enhance the functioning of the EU payments market and substantially reinforce consumer protection.

In the PSR, the European Commission is seeking to target new types of fraud for which PSD2 is not equipped to address. PSD2 focussed primarily on unauthorised forms of payment fraud, but PSD3 and PSR will go beyond PSD2 to tackle the social engineering methods which allow authorised push payment fraud, for example, if a customer is deceived into making a payment to a fraudster who fraudulently uses the telephone number or email address of a bank. It is evident that prevention mechanisms such as SCA have been insufficient to prevent this type of fraud. One of the new measures is the unique identifier (such as an IBAN)/name check, where a payer is

[42] Source: ECB Seventh report on card fraud
[43] Source: BPFI FraudSMART Payment Fraud Report – H2 2021
[44] Source: Ibid
[45] Source: ComReg consultation on combatting Nuisance Communications

notified when undertaking a credit transfer if the payee's unique identifier and name do not match, it is then up to the payer to determine whether they wish to proceed with the transaction.

Measures being implemented by the European Commission to tackle authorised push payment fraud include:

- A good-faith consumer who has been the victim of 'spoofing' fraud where fraudsters pretend to be employees of a customer's payment service provider and misuse the payment service provider's name, mail address or telephone number should therefore be entitled to a refund of the full amount of the fraudulent payment transaction from the payment service provider, unless the payer has acted fraudulently or with gross negligence;
- An extension of IBAN/name matching verification services to all credit transfers. These have been proposed by the European Commission for instant payments in euro;
- A legal basis for PSPs to share fraud-related information between themselves in full respect of GDPR[46] via dedicated IT platforms;
- The strengthening of transaction monitoring; and
- An obligation by PSPs to carry out education actions to increase awareness of payments fraud among their customers and staff; and an extension of refund rights of consumers in certain situations.

The European Commission notes that any changes to the PSD2 liability framework via PSD3 and PSR, should contribute to reducing fraud without creating moral hazard where consumers believe that they will always be compensated for instances of fraud regardless of their actions when subjected to suspicious actions that are consequentially found to be fraudulent. There continues to be a duty on consumers to be careful when dealing with messages relating to financial transactions when making electronic payments. This includes ensuring that they know who they are making a transfer, along with the purposes of that transfer.

In regard to authorised push payment fraud, the PSR as currently proposed places the liability on a consumer's bank to provide compensation if the bank in question, is impersonated to trick a consumer into making a payment, somewhat replicating protections under PSD2 and the current €50 contactless tap limit. However, as demonstrated by ComReg's consultation, an array of public and private organisations are often impersonated by fraudsters to facilitate payment fraud including delivery services, telecoms, toll companies and banks. The UK Payment Services Regulator has gone further than the EU in requiring reimbursement for authorised push payment fraud. Rather than limiting the liability requirement to bank impersonation scenarios, the UK regime requires "payment firms to reimburse all in-scope customers who fall victim to APP fraud in most cases", the scope of that policy will apply to all in scope PSPs, "this includes high-street banks and building

[46] Source: Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data

societies but also smaller payment firms".[47] However, the approach from the EU is different under PSR, where it is proposed to avoid moral hazard where consumers feel that they will always be compensated for instances of fraud.

Questions

Security and Resilience are the cornerstone of a well-functioning payment system, capable of being trusted by consumers and small businesses. To ensure continued trust in the Irish system consumers need to have the confidence to be able to make payments without the risk of being subject to fraudulent transactions. Fraud can be divided roughly into two types, authorised push payment fraud and unauthorised payment fraud. Unauthorised payment fraud involves a payment being made without the authorisation of the payer. By comparison, authorised push payment fraud, involves the use of social engineering techniques by the fraudster to deceive the payer into making a payment to someone other than the intended recipient or for a purpose other than what led the payer to make the payment.

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?

Fraudsters impersonate an array of organisations. Nevertheless, the European Commission's proposed PSR concentrates the liability on banks under specific circumstances to provide redress to the consumer.

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?

4.6 Open banking

WHAT IS OPEN BANKING?

Traditionally, customer data was kept securely within the closed systems of each bank. This information is used by each bank in order to better serve its individual customer, or to provide insights on customers at an aggregate level. Individuals would, under this approach, monitor, or engage with financial products on a bank by bank basis. There was no joined-up view of all the accounts used by a single consumer, either by the bank or by the customer.

[47] Source: PSR Fighting authorised push payment fraud: a new reimbursement requirement

Open banking is a paradigm shift from this previous approach where, if individual customers so decide, they can share their data between banks and non-bank third party entities[48] securely though application programming interfaces (APIs). Open banking seeks to

- Empower consumers to better manage their entire financial activities from a range of bank/providers in a unified and more consumer orientated manner.
- Allows technology orientated companies to enter the financial landscape and provide FinTech offering to consumers. Allows consumers to both share account information and make payments through these solutions.
- Help people in vulnerable circumstances to understand their financial situation better. A recent UK study, commissioned by Urban Impact on Health[49] showed users of open banking apps reported greater clarity, reduced stress and feeling more 'grounded' compared to without open banking apps.

Open banking in the EU was enabled by the PSD2, which required banks to open up access to customer payment accounts to two new categories of third party payment services providers[50]:

- Payment Initiation Service Providers (PISPs) that typically help consumers to make online credit transfers and inform the merchant immediately of the payment initiation. This allows for the immediate dispatch of goods or immediate access to services purchased online. For online payments, they constitute an alternative to credit card payments as they offer an easily accessible payment service because the consumer only needs to possess an online payment account, examples include Western Union Payment Services, First Merchant Processing (Ireland), TrueLayer (Ireland) Limited or FexCo Financial Services.
- Account Information Service Providers (AISPs) which allow consumers and businesses to have a global view on their financial situation. For instance, by enabling consumers to consolidate the different current accounts they may have with one or more banks and to categorise their spending according to different typologies (food, energy, rent, leisure, etc.), thus helping them with budgeting and financial planning - examples include Experian Ireland Ltd.

Access to these services is via an API, younger age profile and greater digital penetration Interface), with the user interface typically being an application on the user's mobile phone that requires the customer to consent to the third party accessing their details and which is not automatic. PSD2 requires that all such third-party payment services providers be authorised and regulated by the relevant authorities including a requirement that users must provide consent to their bank every 90 days if their bank is to continue providing up-to-date data to their open banking apps.

[48] Note: These entities are subject to a number of safeguards with regard to storing data, for example, a payment initiation service provider is restricted from storing sensitive data on its users as set out under art. 66 of PSD2 (link).
[49] Source: Open Banking (bailey.work)
[50] Source: PSD2 - Frequently Asked Questions | Central Bank of Ireland

WHAT IS THE USAGE OF OPEN BANKING IN IRELAND?

As of November 2022, there were five AISPs and 11 PISPs[51] registered with the Central Bank[52]. While this gives an indication of the number of entities providing open banking services in Ireland. This does not provide any information about the amount of payments or the quantity of money transferred. There is no way to currently know the uptake of open banking in Ireland. Indicators that relate to amount and quantity would provide a more holistic picture but this data is not currently collected domestically. There is a need for greater data collection to better understand, and then promote open banking in Ireland.

The RBR Report, which did not specifically ask about open banking, and based on submissions and its own analysis, did conclude that the uptake of open banking in Ireland has been slow due to a number of factors. These factors include: the impact of legacy systems, which could not cope with the volume of API requests; challenges around harmonising of APIs; and the relatively low number of third-party providers operating here. Submissions to the RBR consultation process noted that many banks in Ireland took different approaches to historical transactions, including different time periods and varying levels of detail. Issues were also reported on the consistency in the speed of retrieval of historic transaction data leading to service timeout issues, as well as varied response times to service requests across banks. Measures to improve consistency by firms in the provision of information, and an enhanced focus on the user experience, combined with efforts to reduce friction consumers are likely to realise greater consumer benefits of open banking.

Therefore, the potential of open banking still remains largely untapped in Ireland.

WHAT IS THE EUROPEAN COMMISSION DOING TO PROMOTE OPEN BANKING?

The recently published PSR by the European Commission proposes a range of enhanced measures around open banking, including granting better access to third party providers and, therefore, services to consumers. Some of the key provisions in the proposal include a requirement that banks must have a dedicated open banking interface in place, which offers all the same provisions that the direct customer interface currently provided by banks offer to consumers. Additionally, a permissions dashboard must be in place to increase consumer awareness of who has access to their data while also allowing users to manage this access. Banks must also ensure that their dedicated interface does not create obstacles to the provision of payment initiation and account information services to customers. The European Commission has also proposed a framework for financial data access[53] to enable that consumers and businesses have better control access to their financial data.

Open finance, while similar to open banking, is broader and it goes beyond the scope of payments account data. In relation to open finance, the European Commission's Digital Finance Strategy

[51] Note: This is made up of one PISPs which is a payment service provider, five e-money institutions with PISP services and five payment institutions with PISP services.
[52] Source: Registers (centralbank.ie)
[53] Source: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on a framework for Financial Data Access and amending Regulations (EU) No 1093/2010, (EU) No 1094/2010, (EU) No 1095/2010 and (EU) 2022/2554

noted that open finance has the potential to lead to better financial products, better targeted advice and improved access for customers, in addition to greater efficiency in business-to-business transactions. However, open finance is not within the scope of the NPS.

Questions

Open banking can improve the consumer experience and assist them in managing their financial affairs if rolled out successfully.

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

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?

4.7 Digital euro

WHAT IS THE DIGITAL EURO?

A Central Bank Digital Currency (CBDC) is a digital form of a nation's sovereign currency (fiat currency). It is the evolution of cash into the digitalised world.

Globally, some central banks have already launched a CBDC whilst a number of central banks are considering the potential introduction of a CBDC, and are at various stages of research and pilot projects. The motivations for introducing retail CBDCs are often influenced by global developments, however economic-specific conditions can play a factor. For countries with developed economies, the motivation for issuing a CBDC can stem from the declining use of cash and the need to provide an alternative electronic form of cash (or public money). While for countries with developing economies, motivations can include financial inclusion and the need to develop retail payments systems to better support economic development.

In a European context, the ECB's motivation to explore the issuance of a CBDC, or digital euro, derives from wanting to ensure European citizens continue to have access to central bank money in a way that meets their needs in the digital age. A digital euro would complement existing banknotes and coins, ensuring a public option would always be available – in the form of both cash and digital euro. Widely available and accepted across the entire euro area, the digital euro would provide citizens with greater choice in how they pay for everyday goods and services extending to places cash cannot physically reach today, such as online commerce. Digital euro basic services would be free of charge while guaranteeing the highest level of privacy in digital payments. Uniquely, a digital euro would offer citizens the possibility to pay offline, providing cash-like privacy, with neither the payment service provider nor the central bank processing the payment.

A digital euro would strengthen Europe's strategic autonomy and monetary sovereignty by boosting the efficiency of the European payments' ecosystem as a whole, fostering innovation and increasing its resilience to potential cyberattacks or technical disruptions, such as power outages.

The ECB are considering launching a digital euro (a CBDC) in Europe to respond to the increasing demand for safe and trusted digital payments. Having digital money issued by the ECB would provide an anchor of stability for the payment and monetary systems. The European Commission would provide the legislative basis for a digital euro.

It is already clear that a digital euro should be accessible, robust, safe, efficient and compliant with the law. Ensuring that it would also have the highest level of privacy will be vital.

WHAT PREPARATION HAS BEEN UNDERTAKEN IN ORDER TO PREPARE FOR THE DIGITAL EURO?

In June 2023, the European Commission presented a draft legislative proposal for a possible digital euro. The purpose of the legislation is to ensure that any future digital euro would give people and businesses an additional choice to pay digitally using a widely accepted, cheap, secure and resilient form of public money anywhere in the euro area.

The ECB's Governing Council launched the two-year investigation phase in October 2021, to determine the feasibility of digital euro as a complement to cash. As part of the investigation phase, the ECB, in conjunction with national central banks, developed the high-level product design and the associated user requirements for a potential digital euro offering[54]. On 18 October 2023, the ECB announced that the investigation phase has been concluded and that the preparation phase would be commenced. This decision was taken after having determined that it would be possible to create a digital euro offering to meet citizen's needs and preferences.

Following the publication of the results of the investigation phase it was concluded that there are a multitude of benefits from its establishment, including two critical ones of cost and offline capabilities. Firstly, digital euro basic services will be free to use, enabling individuals from all socio-economic backgrounds to benefit from the use of the digital euro. Secondly, the digital euro will be available both online and offline. The online mode allowing for payments where cash is not a feasible option such as during online transactions. The offline element of the digital euro would have cash-like features enabling payments without online connectivity, thus enhancing privacy to levels similar to cash. Offline payments would enhance peer to peer transactions creating the same experience as cash.

The move by the ECB's Governing Council to the preparation phase is not a decision to issue a digital euro, but to further progress the work on necessary to prepare for development of a digital euro. Some of the key deliverables involved in the preparation phase include finalising a digital euro rulebook[55] and selecting providers that could develop a digital euro platform and infrastructure.

[54] Source: [A stocktake of the digital euro: Summary report on the investigation phase and outlook on the next phase]

[55] Note: the rulebook is to set standards that payment service providers distributing digital euro must adhere to

It will also include testing and experimentation to develop a digital euro that meets user requirements and the Eurosystem's expectations, in terms of user experience, privacy, financial inclusion and environmental footprint.

In parallel to the ECB's project, the European Commission's draft 'Single Currency Package' proposal provides the legal framework for a digital euro while also strengthening the role and acceptance of cash in society. The legislative proposal will ensure that the digital euro has its key characteristics as that of a public good. It is important to note that while the preparation phase will run in parallel with the legislative process, the decision to issue a digital euro will only be considered by the Governing Council at a later stage and this can only be done once the European Parliament and Council of the European Union have adopted the digital euro legal act.

Supporting the implementation activities of the digital euro in Ireland will be a key objective of the NPS.

4.8 Crypto-assets

The tokenisation of payments has been an emerging feature of the payments landscape in Ireland and Europe in recent years, which has been spurred by the development of distributed ledger technology (DLT). Accordingly, the NPS seeks to establish a greater level of understanding around crypto assets and explore their use as a form of payment. Although crypto assets are a form of digital payment, their relative novelty in comparison to other more established means of digital payment (card, credit transfer etc.), as well as the emerging legislative framework arising around crypto, means that they have not yet gained widespread use.

Crypto-assets[56] (often referred to as stablecoins or crypto currencies) can be used for both payment and investment purposes. The Markets in Crypto Assets Regulation (MICAR), which entered into force on 9 June 2023 sets out a new regulatory framework for crypto-assets. Specifically, MICAR sets out the regulatory requirements for various forms of crypto assets, including EMTs (E-Money Tokens) and ARTs (Asset Reference Tokens) and utility tokens. Under MICAR, an ART "means a type of crypto-asset that is not an electronic money token and that purports to maintain a stable value by referencing another value or right or a combination thereof, including one or more official currencies", whereas EMTs are based on a single currency as the underlying asset. (defined by MICAR as a type of crypto-asset that is only intended to provide access to a good or a service supplied by its issue).

The ECB has also implemented the PISA framework (a Eurosystem oversight framework for certain payment entities and instruments), which defines digital payment tokens as:

"*A digital representation of value backed by claims or assets denominated in euro or redeemable in euro, or referring to other digital assets that are accepted under the rules of an electronic*

[56] Note: the Market in Crypto Assets Regulation (EU) 2023/1114 (**Link**) defines a "crypto asset" as: a digital representation of a value or of a right that is able to be transferred and stored electronically using distributed ledger technology or similar technology.

payment instrument scheme for ***payment purposes*** *or* ***to discharge payment obligations in euro****, and which enables* ***the transfer of value*** *between end users.*"

While crypto assets may not currently be a common payments mechanism, it is important that the NPS assesses the role of crypto assets in the Irish payments landscape.

Questions

From a strategic planning perspective, it is difficult to ascertain the number and value of crypto-assets which are used as a means of payment as opposed to speculative purposes. It is important to distinguish between investment and payment to understand the important of crypto-asset payments in the context of the Irish payments ecosystem.

4.12 What are the advantages and disadvantages of paying with crypto-assets as compared to other means of payment?

4.13 Can you provide specific use-cases of a crypto-asset a form of payment?

4.9 Data collection and analysis

In recent years, the increasing pace and scale of technological change has exposed a growing gap in the level of data and statistics available on the Irish payments market combined with a lack of information on the needs of consumers, payment services, and providers of goods and services. Consequently, the ToR tasks the NPS with considering the forthcoming new data[57] to be published by the Central Bank, and assess the extent to which that information addresses the existing data gaps as well as considering further research and analysis on payments. In identifying new data gaps, it is important to ensure that any conclusion pertaining to new data collection, should consider comparability with data already collected or mandated at European level, as well as proportionality in relation to the costs administrative burden and usability related to expanding data collection requirements.

There are a number of related developments at EU level in relation to data issues. Following recent innovations and developments in the provision of payments services, the ECB have expanded the payment statistics data collection under the Payment Statistics Regulation. The amending Regulation, published on 11 December 2020, introduces new and more granular reporting requirements in relation to information on innovative payment services and channels, payment schemes, and fraudulent payment transactions. The latest data to end-2022 has recently been published by the ECB[58].

[57] Source: Regulation (EU) 2020/59 on Payment Statistics
[58] Source: ECB Payments statistics: first half and second half of 2022

In common with all other euro area central banks, Ireland's Central Bank collects statistics on payments, in order to have a perspective on developments in retail payments both within Ireland and more generally in Europe, and to inform retail payments policy.

Payment instrument usage in Ireland is provided by the Central Bank in its monthly card data releases, while value and volume data on other instruments (e.g. cheques and direct debits) are published on an annual basis. The first reporting of the new payment statistics data occurred in 2023. The Central Bank will publish related domestic data before end-January 2024.

In parallel with enhanced reporting requirements at ECB level, the Central Bank has undertaken a comprehensive review of the domestic monthly credit and debit card statistics data. The result of this review is to introduce an enhanced monthly data collection on card spending/cash withdrawals by Irish households. This was done in response to evolving trends in card payments and stakeholder demand for more granular insights. New insights include a regional breakdown of card spending as well as contactless and mobile wallet card payments. The new monthly card payment statistics was first published in September 2023. Publication of data in relation to fraudulent payment transactions does not currently take place but this aspect will be further considered by the Central Bank in 2024 pending a satisfactory review and analysis of related data.

While welcoming the recent developments to date, there are still a number of gaps in the level of data available on the Irish payments market. These include indicators on open banking, crypto-asset payments, instant payments and sustainability. Additionally, It should be noted that in a consumer preference survey undertaken by the Department of Finance in 2023 18% of the 18+ population of Ireland did not have a bank account and so are missing from many statistics[59].

In relation to open banking in Ireland, there are no clear metrics that would enable measurement of progress of this sector. In addition, there is a lack of data available on the payments originating from third party service providers (e.g. the volume and value of payments initiated by payment initiation services). The recent 2021 IMF FSAP on FinTech[60] recommended that the Central Bank should, identify obstacles to the take-up of open banking in Ireland within a 3-5 period (i.e. by 2027). One such obstacle may be the lack of data available on the roll-out of open banking in Ireland given that understanding the size of the sector is important to appropriately understand the challenges faced for its future development.

In relation to crypto-asset payments, it is difficult to measure the degree to which crypto-assets are made for payment purposes in Ireland because there is no central data source. Moreover, it is not clear how to distinguish the use-case of a crypto-asset for payments versus a crypto-asset investment purposes. This point is reflected in the 2022 IMF FSAP which sets out that "there continues to be a lack of comprehensive and reliable data on the sector, including on possible interconnections with regulated financial services providers." The FSAP recommended that the Central Bank within a 1-3 year period (i.e. by 2025) "further intensify efforts to monitor developments on crypto-assets through systematic data collection within the scope of its powers

[59] Source: Consumer Sentiment Banking Survey August 2023
[60] Source: Ireland: Financial Sector Assessment Program-Technical Note on Oversight of Fintech

and, where unacceptable risks remain, issue carefully targeted warnings and investor communications”.

Data on the take-up of instant payments within the Irish payments market is also unavailable. For the purpose of this consultation paper, “reachability” of Irish BICs within the instant payments architecture has been used as an indicator due to a lack of more precise, granular, data. Information on the number of instant payments made in Ireland compared to payments relying on standard credit transfer infrastructure would provide a more complete picture on instant payments in Ireland.

Finally, sustainability is an emerging theme within the payments sphere. However, there is no commonly understood way of measuring the impact of the retail payment system on the environment, and data is not collected centrally to understand in a comprehensive manner, the environmental impact of the Irish payment system. The Central Bank and the ECB are examining the environmental impact of the production of euro banknotes[61]. Furthermore, the Eurosystem’s Retail Payments Strategy[62] notes “In its investigation into how environmental sustainability can be promoted in the area of payments, the Eurosystem’s first step will be to develop a methodology to measure the level of environmental sustainability of payment transactions and infrastructures.” The development of this methodology is at an early stage. However, some EU Member States have already conducted studies on the environmental impact of payments, such as the De Nederlandsche Bank (DNB) has undertaken national level assessments of the environmental impact of both card payments[63] and of the cash cycle[64]. While both digital payments and physical cash payments have an environmental impact, the DNB found that the cash-cycle has a significantly greater impact despite digital payments being considerably more numerous. This was confirmed in a study conducted by the French Banking Federation indicates that cash is the payment method associated with the highest level of emissions[65]. Within digital payments, the DNB found 75% of the environmental footprint of such payments, to be attributed to PoS terminals.

Questions

In recent years, it has become clear that there is a gap in the level of data and statistics available on the Irish payments market. Consequently, the NPS will consider the forthcoming new data to be published by the Central Bank, and assess the extent to which it addresses the existing data gaps as well as considering further research and analysis on payment.

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?

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[61] Source: ECB Environment, health and safety (europa.eu)
[62] Source: The Eurosystem’s retail payments strategy
[63] Source: DNB Evaluating the environmental impact of debit card payments (dnb.nl)
[64] Source: DNB Life cycle assessment of cash payments (dnb.nl)
[65] Source: Banque-Climat-2019-Chapitre-4.pdf (fbf.fr)

4.15 Are there other data gaps in the Irish payment ecosystem that, have yet to be identified? What metrics should be considered to maximise insight into these sectors and which organisations are best placed to collect and analyse these?

4.16 What research and analysis topics would be most informative to determine the preferred direction of travel for the future state of the payments system?

5. Access to cash

Representing the oldest general means of payment[66], cash takes the form of physical notes and coin.

In its June 2022 submission to the RBR, the Central Bank outlined a number of important functions and benefits of cash, and the central roles it performs in society:

- **Inclusivity** – Cash provides payment and savings options for people with limited or no access to digital payments, making it crucial for the inclusion of socially vulnerable citizens such as the elderly or lower-income groups.
- **Contingency** – Cash is the only form of money that people can keep without involving a third party. No access to equipment, the internet or electricity is required in order to pay with cash, meaning it can be used when the power is down or in the event of an e-payment outage.
- **Privacy** – Cash transactions respect our right to have our privacy, data and identity protected in financial matters.
- **Store of value** – Cash is more than just a way of paying. It allows people to save without default risk.
- **Legal tender** – If offered, cash must be accepted in settlement of a monetary debt, unless both parties involved have already agreed on another way of paying.
- **Budgeting** – It helps you keep track of your expenses. Cash allows you to keep closer control of your spending, for example by preventing you from overspending.
- **Security** – As it is central bank money, cash is a secure means of payments for example in relation to cybercrime, fraud and counterfeiting.
- **Speed** – Banknotes and coins settle a payment instantly.
- **Cultural symbol** – Euro banknotes and coin are the most tangible symbol of European integration and our collective European identity.

5.1 Cash usage in Ireland

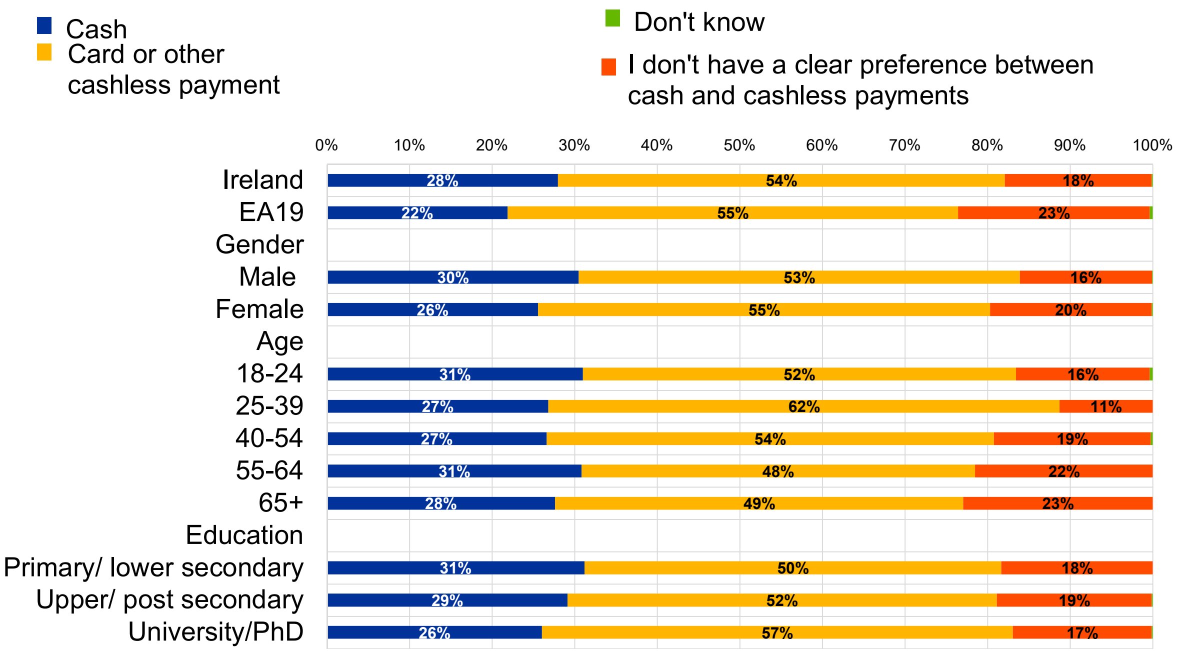
The retail banking sector plays a central role in the Irish cash cycle and cash supply chain. According to a 2023 Consumer Sentiment Banking Survey[67], access to cash is mainly via ATMs (used by 78% of consumers), bank branches (used by 17%), An Post (used by 9%) and retailers (cash-back used by 18%). Cash is transported throughout the State by companies in the Cash-in-Transit (CIT) sector. This sector is predominantly led by two companies, which are increasingly providing cash processing services for the main retail banks. In the last few years, the provision and operation of ATMs, are increasingly operated by IADs (by end-2021, c.75% of the ATM network was owned by IADs), of which there are currently nine such operators in Ireland. Previously, these services would have been mainly provided by the retail banks.

[66] Source: Central Bank 'Whither Payment?'
[67] Source: Department Consumer Sentiment Banking Survey August 2023

The Central Bank supplies cash on demand and accepts lodgement of surplus and unfit cash. Institutions[68] in receipt of this free of charge service are then considered responsible for the onward distribution of cash to other institutions and their own customers, including retailers, other businesses and members of the public.

Cash use, is one metric to measure cash demand, and the associated need for cash access in the economy. In terms of cash use in Ireland, the ECB's SPACE survey[69] published in December 2022, found that in Ireland cash represented 54% of transactions at PoS in terms of number of transactions (euro area average 59%) and 44% in terms of value of transactions (euro area average 42%). Based on the survey data there is a different between cash usage (versus digital payment), which is marginally lower in Ireland than the euro area average, compared to the preference of Irish consumers, which is marginally higher than the euro area average, as shown in the Figure 12 below at 28% in Ireland and 22% in the euro area. It also noted that the average cash in an Irish person's wallet was €107, higher than the euro area average of €83. The survey also found that some 64% of people felt it was important to have the option to pay with cash (33% saying very important and 31% saying fairly important), four percent higher than the euro area average. In terms of person to person (P2P) transactions, the survey found that Irish people used cash in 72% of such cases, which is broadly in line with the euro area average of 73%.

Figure 12: Preferred payment instrument in Ireland

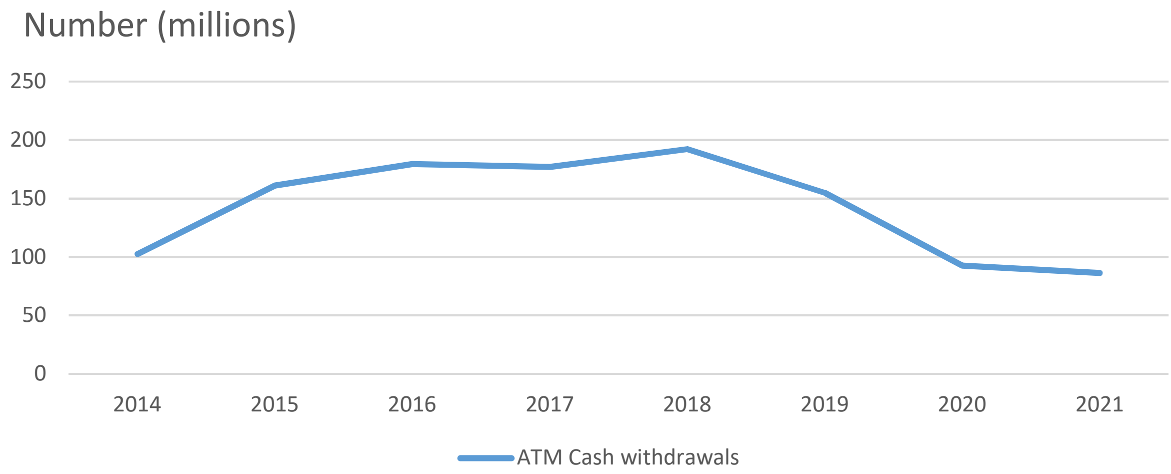


Source: ECB Space Survey

[68] Source: These are the main retail banks and An Post, as noted in the Central Bank 'Access to Cash' Report.
[69] Source: ECB SPACE

Cash usage can also be examined through banknote withdrawals from ATMs, which is the most popular means of withdrawing cash in Ireland. Cronin and McInerney (2022)[70] assessed monthly ATM withdrawals in Ireland from January 2015 to June 2022. This paper showed that monthly withdrawals were, on average, €1.5bn before the pandemic, and there was a sharp fall in withdrawals in the spring of 2020 when Covid-19 and related restrictions on travel and interactions in retail premises adversely impact on the circulation of cash. There was a subsequent recovery in withdrawals from the summer of 2020 onwards. Since then, the monthly withdrawal value has averaged €1bn. The Covid-19 pandemic therefore, led to a structural shift in ATM withdrawal (which may have occurred in any case in a more truncated period of time) that has largely persisted. Figure 13 shows the number of ATM withdrawal transactions in volume terms from 2014 to 2021 (latest available data) which are on a downward trend since 2018.

Figure 13: ATM withdrawal transaction numbers



Source: Central Bank Statistics

5.2 Future changes to the legislative access to cash criteria

As part of the RBR, the Minister for Finance published a number of recommendations in relation to access to cash. One recommendation was for the Department of Finance to develop *Access to Cash* legislation and to prepare a related Heads of Bill in 2023, the first step is legislating for this area. The RBR also called on Department officials to prepare Heads of Bill in 2023 to require ATM operators to be authorised and supervised by the Central Bank while also providing the Central Bank with responsibility and powers to protect the resilience of the cash system, including the authorisation and supervision of CIT firms in respect of their cash handling activities and related financial services.

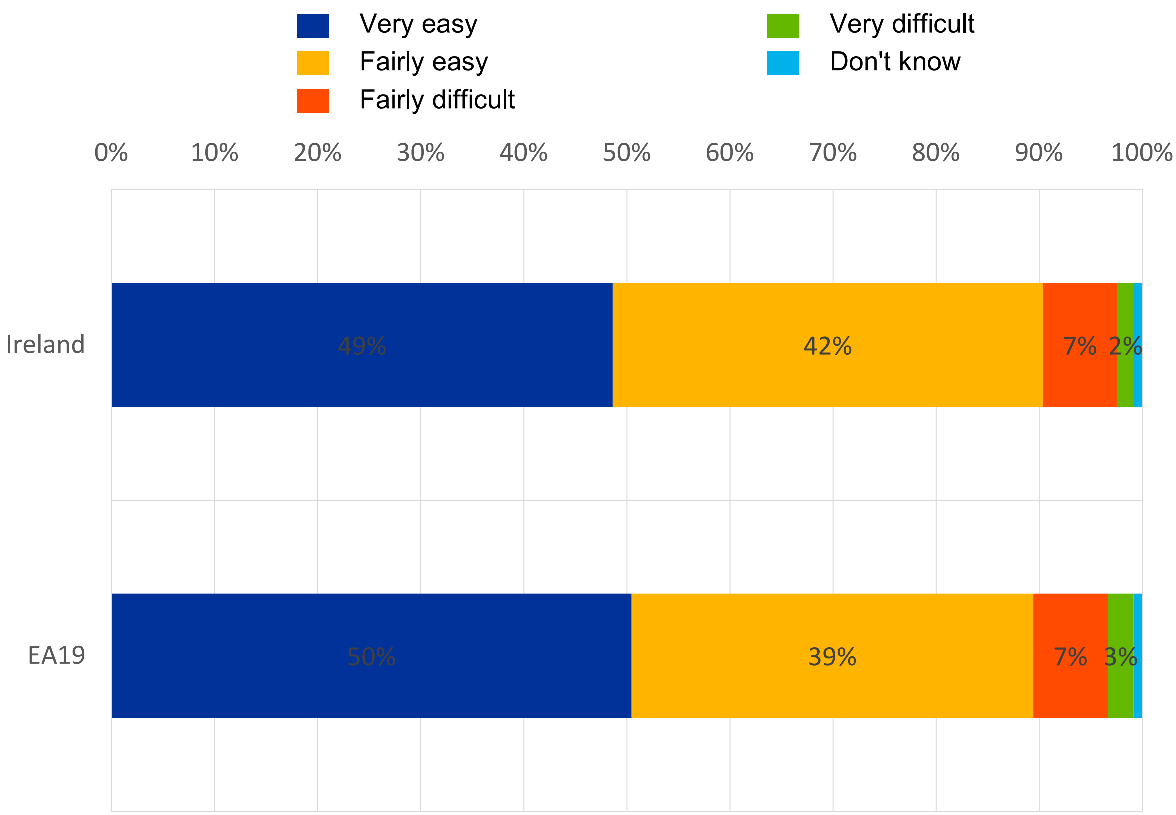
[70] Source: Central Bank ATM Cash Withdrawals Before, During and After the Covid-19 Pandemic (centralbank.ie)

Furthermore, the European Commission's legal tender proposal[71] which was published in June 2023 recognises that the acceptance of cash will also be undermined if there is insufficient access to cash. Accordingly, it aims to ensure everyone within the euro area has sufficient access to cash by requiring each Member State to annually monitor access and acceptance of cash within their jurisdiction. This will be undertaken on the basis of common indicators to be formulated in a separate European Commission implementation regulation.

As already noted in this Consultation Paper, the trend between electronic and cash payments over the last ten years suggests that cash usage is likely to further reduce as in many other EU countries. While the legal tender regulation will reduce the likelihood of that happening, cash still retains an important function as a fallback option to digital payments. In recent years, there have been a number of cases when there have been disruptions with digital payments systems with a consequent rise in cash transactions by consumers as an alternative.

The 2022 ECB SPACE data, noted that 90% of Irish people found is very easy or fairly easy to access cash facilities in line with the euro area average of 89%.

Figure 14: Ease of access to cash withdrawals in Ireland



Source: ECB SPACE survey

It is important that as cash usage declines, appropriate consideration is given to ensure that access to cash is maintained at an appropriate level, which may change based on the preferences of

[71] Source: [Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the legal tender of euro banknotes and coins]

consumers over time. This minimum appropriate level requires certain cash infrastructure (e.g. cash access points and lodgement access points) and a resilient cash cycle/process to move cash though the system from when it is lodged to where it is withdrawn, whilst ensuring the high levels of security necessary throughout.

The upcoming access to cash legislation will set out criteria based on June 2023 cash usage using both population and capacity. However, as cash usage changes, the NPS will need to consider if changes should be made to the criteria and, if so, what is the nature of these changes. For example, what impact a decline of 50% in cash usage would have on cash access points and lodgement points, and would the understanding of reasonable access alter in this context. In parallel to cash usage, the sustainability of the cash cycle needs to be considered for both resilient, technologically, and in terms of costs as well as the impact on social/financial exclusion.

As the cash cycle changes over time where and the application of the *Access to Cash* criteria may result in local deficiencies being identified, even though the population and capacity criteria are met, localised difficulties with access to cash infrastructure arise. Reasons for these deficiencies may vary, and can reflect, for example, difficult access to cash infrastructure because of a river, lake, motorway, or railway line that means increased travel times for people to access cash points. A deficiency could also arise from large scale increases in population due to several large housing schemes coming on stream within a short period. How potential local deficiencies are managed, assessed and balanced against changing cash usage is an important consideration of future reasonable access to cash.

In the course of the NPS, the Department of Finance will examine what are the appropriate levels of access to cash considering how any further evolution of the cash infrastructure will be managed in a fair, orderly, transparent and equitable manner for all stakeholders. The assessment will consider developments in other economies. The Dutch Central Bank in 2022 agreed a cash covenant[72] with participants in the cash cycle to boost resilience. In the UK, the Bank of England is also reviewing the cash cycle to ensure it is fit for purpose[73]. Sweden's Riksbank in 2021 placed an obligation on certain cash cycle participants to maintain cash services[74]. All of these efforts are to ensure cash is available as cash infrastructure shrinks to fit as cash usage reduces over time.

<u>Questions</u>

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.

[72] Source: New covenant lays down agreements on proper functioning of cash (dnb.nl)
[73] Source: Wholesale cash distribution in the future | Bank of England
[74] Source: Obligation for major banks to provide certain cash services | Sveriges Riksbank

5.1 To what degree should access to cash be guided by the usage of cash? For example, if the usage of cash falls by 50% from 2022 levels, should the level of access follow in step i.e. by 50% or by a smaller amount, i.e. by 25%?

5.2 If the usage of cash fell by 50% from 2022 levels should other factors be considered when assessing criteria on access, such as usage of cash access points? For example, could the population density criteria be relaxed while the cash access point criteria be held constant?

5.3 If cash usage fell by 50% from 2022 levels, how are factors like cost to be considered to ensure the system is resilient?

5.4 In the long term (5-10 years plus) what level of access to cash facilities are consumers and business expecting to exist?

5.5 Within the Access to Cash legislation, what factors should be considered when the distance and population density criteria ***are met*** *in order to identify if a local deficiency exists? How should this be addressed?*

5.6 Have you (as a consumer or small business) experienced barriers to access to cash? If so, what are they? What would be helpful to counter these?

5.7 Are there situations where you (as a consumer or small business) find cash as a better alternative to digital payments – if so, please elaborate?

5.8 In the event of a digital payments disruption, do you see cash playing a role and how might this work?

6. Acceptance of cash

As outlined in Section 5, the NPS will examine the evolution of access to cash by evaluating the criteria set out in the forthcoming Access to Cash Heads of Bill. Of course, once cash can be accessed by consumers, they need to be able to use it. With that in mind, the NPS will look at the acceptance of cash across the economy.

Euro banknotes and coins are legal tender in the euro area, with cash being the only form of central bank money to which everyone can have direct access to currently. Cash remains the dominant form of payment at PoS[75] in Ireland, albeit a lower proportion of total transactions in Ireland compared to the situation as it was at the time of the NPP in 2013. However, given the important role of cash in the economy and the wider society, it is important that this means of payment be protected to ensure continued trust in the cash cycle to protect the more vulnerable in society and to facilitate those who select to use cash on a frequent basis for a variety of reasons.

It is also of strategic importance to maintain cash acceptance (and thus associated infrastructure) at an adequate level in order for cash to continue to function as a fall-back in the event of a contingency scenario. Cash can be used in many transactions multiple times without each transaction necessarily being recorded, for example peer-to-peer transaction. It is worth noting that according to a 2021 ECB survey[76], 95% of businesses in Ireland accepted cash as a payment method and 98% of these businesses say they will continue to do so in the future. Acceptance of cash by businesses is high though it is of interest that when confronted with a choice consumers are increasingly selecting to pay by via digital methods for a variety of reasons.

For the majority of people, the use of cash is primarily a preference as opposed to the sole means of payment available given that 92.8% of households in Ireland now have access to a current account[77], the vast majority of which would have an associated debit card that can be used for digital payments, including online transactions, up from 80% in 2009[78]. Given the increasing digitalisation of many aspects of people's lives, particularly since the Covid-19 pandemic, digital payments have increasingly become the norm for many people making everyday purchases. In 2021, the EBA, encouraged all PSPs to allow an increase in the contactless maximum amount to €50, this coupled with earlier legislation which placed a cap on interchange fees for card payments resulted in cards being used far more by consumers.

Currently, the right to use cash in Ireland as a means of payment is based on contract law. In this context, where a business places no restrictions on the means of payment it is prepared to accept, it must accept cash as legal tender when offered by a customer to settle a debt that has arisen in the provision of goods or services to them. If a business specifies payment must be in a form other than cash, the customer cannot subsequently claim a legal right to pay in cash. This can be achieved by, for example, placing a sign stating, "cash not accepted" or "card payment only" at the

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[75] Source: ECB SPACE
[76] Source: Use of cash by companies in the euro area (europa.eu)
[77] Source: CSO Household Finance and Consumption Survey 2020
[78] Source: NPP 2013

entrance to the retail outlet or check out area. In this regard, it would be an ex-ante measure ensuring that the customer is fully aware of the situation before they make a transaction.

Across the EU there is a range of approaches on the right to use cash for payments, that are a function of culture and history, and most Member States do not have specific national provisions[79] for legal tender status as such. However, several countries rely on definitions found in other pieces of national legislation, for example in central bank acts/statutes, tax codes, civil codes or criminal codes.

6.1 Cash acceptance for key sectors

EU law directly attributes the status of legal tender to euro banknotes and coins but, neither primary nor secondary EU law currently defines the concept of legal tender. Consequently, in June 2023 the European Commission adopted a draft Regulation[80] seeking to address this issue. The European Commission proposal requires that euro cash acceptance should be mandatory across the euro area. It also provides flexibility around mandatory acceptance in circumstances where there is a prior agreement in place between both parties regarding payment method, or if the refusal to use cash in a transaction is made in good faith. The draft Regulation proposes that competent authorities in each Member State will be required to monitor the acceptance of payments in cash on an annual basis against a set of common indicators to be formulated by the European Commission and to take remedial measures if this monitoring shows that the mandatory acceptance of cash is being undermined. The draft Regulation specifically draws attention to the need to monitor the level of 'ex ante unilateral exclusions of payments in cash'. It defines such exclusions as including a 'no cash' sign and this convention exists in Ireland in a small number of retailers where up to now the rules have largely been based on contract law.

The ToR for the NPS sets out that the Strategy should examine whether there should be a legislative requirement put in place domestically relating to the mandatory acceptance of cash covering transactions for goods and services by certain classes of firms, sectors or sub-sectors, as well as the Government and the provision of public services. The European Commission's proposal references specific sectors for which cash acceptance may be of more relevance, such as healthcare, supermarkets, post offices and pharmacies. The ECB on 13 October published an opinion on the legal tender proposal[81], in which the ECB suggested a number of changes in regards to the disallowing of ex-ante unilateral measures such as 'no cash' signs in shops. In the European Commission proposal, they were tolerated and were to be closely monitored at national level to ensure the prevalence of these measures did not undermine the role of cash.

The NPS will need to consider if legislative requirements should be put in place domestically to give powers to the Minister to designate certain classes of firms, sectors or sub-sectors that must accept cash for in-person transactions. As a result, they would then be precluded from engaging

[79] Source: Final report of the Euro Legal Tender Expert Group (ELTEG) of 6 July 2022
[80] Source: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the legal tender of euro banknotes and coins
[81] Source: Opinion of the European Central Bank of 13 October 2023 on a proposal for a regulation on the legal tender of euro banknotes and coins (CON/2023/31) (europa.eu)

in ex-ante unilateral measures, for example 'no-cash' or 'no-card' sign in a window to a shop, or at a PoS, following designation by the Minister.

Questions

The European Commission will develop common euro area wide indicators via the legal tender proposal to monitor acceptance of cash. This would include, for example, the density of cash access points in relation to population, withdrawal and deposit conditions, including fees, the existence of different networks with different access modalities for customers, urban-rural and socio-economic variations, and access difficulties for certain population groups. From an Irish perspective, the NPS is interested in the public's view on the acceptance of cash.

6.1 Do you believe there is, or there may be, a trend emerging of non-acceptance of cash in Ireland? Where or in what circumstances have you experienced this?

6.2 Do you agree with the principle of universal cash acceptance? Or do you believe it can be limited to certain critical classes of payment?

6.3 Do you believe it remains appropriate or necessary to ensure acceptance of cash as a form of payment? Do you believe you have enough choice as to how you can pay for everyday goods and services?

6.4 If monitoring shows that the acceptance of cash is inadequate, what should be considered when developing remedial measures?

6.5 Have people encountered situations where there have been price differences between payment types at the PoS? How prevalent/common are these situations? How can this be addressed? How do charges at ATMs impact on decisions to use cash?

6.2 Government policy on acceptance or facilitation of cash

Since 2004, Government Departments and Offices have acted as a catalyst for the modernisation of payment systems, reflecting their key role across the broader economy and interaction with large numbers of the population across a wide range of interactions relation to the provision of goods and services including the payment of salaries, pensions, and social welfare as well as taxation, fines and charges. Steps taken include the migration of remaining paper and cash-based payment processes to electronic alternatives. For example, as recommended by the NPP, on 19 September 2014, "e-Day" was launched. On that day, the public sector discontinued the acceptance of cheques, and the writing of cheques to business users. The purpose of this development was to encourage migration away from cheque usage.[82] The reform of payment systems resulted in the

[82] Source: e-Day' – 19 September 2014

rationalisation of payment processes leading to streamlined back-office functions and greater efficiencies aimed to reduce the burden on the taxpayer and enhance payment security.

The ability to transact in cash remains important to many people across Ireland, particularly those in vulnerable groups, and those who use cash to more easily manage their finances. Following engagement with Government Departments/Offices and public, it is clear that in the majority of cases while digital payment was preferred by those public bodies there are alternative payment methods if and when required including cash.

It is also the case that certain bodies, for example An Post, currently facilitate payment using cash for a number of public services. There are a very small number of areas where only digital payments were accepted. Furthermore, there were cases in 2023 of some public services going 'cash-less'. While there might be strong audit and control or operational reasons to go 'cash-less', it is also important that citizens can continue to access services in a flexible and open manner. This may include having a range of payment options. With this in mind, the Minister wrote to Government colleagues in September 2023 asking them to instruct public bodies under their remit to maintain cash acceptance, where it exists, until the NPS is finalised in 2024. At that stage, consideration can then be given to the continued acceptance by public bodies of cash in transactions with the public.

Questions

Public bodies have an obligation to act efficiently in their duties to minimise their impact on the taxpayer and provide a high quality services. While doing so they must also provide fair access to public services. Therefore, ensuring a balance between efficiency and access by the public is important.

6.6 What is your view on the levels of acceptance of cash in Ireland by public bodies for public services?

6.7 Have groups or individuals experienced challenges or have been excluded from accessing public services due to the lack of payment methods available?

6.8 What should public bodies consider when offering payment methods for services they provide?

6.9 Should all public services have an obligation to accept or facilitate the acceptance of cash? Or is there a sub-set of essential services that should be obliged to accept cash payments?

7. Providing feedback and next steps

The Department of Finance appreciates the time that you have taken to read and consider the content and questions that are outlined in this Consultation Paper.

The information requested in the About You section (Annex 4) must be completed by all respondents to the public consultation. Apart for these questions in Annex 4, you may choose to respond to all or some of the questions in the remaining sections of this Consultation.

We would like to draw your attention to our Data Privacy Notice[83] which explains how and when we collect personal data, why we do so and how we treat this information. It also explains your rights in relation to the collection of personal information and how you can exercise those rights.

The Department of Finance invites all stakeholders to provide comments on the questions raised in this Consultation Paper by completing the response form, available at https://consult.finance.gov.ie/en. The closing date for providing feedback is **14 February 2024**. Responses received after this deadline may not be considered.

The Department of Finance requests that you provide reasons and explanations for the responses you provide to the questions in this Consultation Paper as this will aid consideration of the issues. Where possible, please also provide material, or references to material, that support or evidence the points you make in your responses. This can be done by submitting additional information in a separate submission, if desired. It is important that all relevant arguments underpinned by supporting evidence and any relevant information is provided so that the NPS can fully understand and explore issues impacting on the future of payments in Ireland. In this manner, you can ensure that your views and arguments can be considered and taken into account when developing the NPS.

Not all matters relating to the NPS have been addressed in this public consultation. However, in the course of its work in the coming months, the Department of Finance will be addressing all matters outlined in the ToR. In this regard, a final question is included below to facilitate you share any additional thoughts, information or feedback that you may have on matters not covered in any of the sections of this Consultation Paper, you may wish to submit additional information in a separate submission

Finally, stakeholders can engage directly with the NPS team on any matter related to this Consultation Paper or any issue relating to the NPS by emailing the Department of Finance at nps@finance.gov.ie.

[83] Note: This is a public consultation, and the Freedom of Information Act 2014 applies. This means that written submission may be published by the Department of Finance in full. In responding to this consultation, parties should clearly indicate where their responses contain personal information, commercially sensitive information or confidential information which they would not wish to be released under FOI, AIE or otherwise published.

Glossary

Acceptance of cash: Defined as ensuring cash is accepted as a means of payment everywhere (facilitated by financial institutions, retailers and others).

Access to cash: Defined as public access to services to withdraw and deposit cash (facilitated by banks and other stakeholders).

Application Program Interfaces: Application programming interface is a software which allows communication between different applications or systems.

Authorised push payment fraud: Authorised push payment fraud, a type of fraud in which the payer (an individual or a business) is tricked into authorising a payment to a fraudster posing as a genuine payee.

Central bank money: This consists of banknotes and coins in circulation (cash) and the electronic accounts that credit institutions hold at the central banks (reserves). Cash has the status of legal tender unlike commercial bank money. Central bank money is credit and liquidity risk-free as the default risk of a central bank is in principle non-existent.

Digital payment: Used interchangeably with “electronic payment”, defined below.

Digital wallets: A service that enables end users to initiate transfers of value by storing secure information related to the electronic payment instruments required to initiate the transfers. It can also be used to register and hold personalised security credentials. Depending on its design, a wallet can be used, before or during a payment process, to fund a payer account linked to the wallet and offered by the wallet provider with funds or digital payment tokens. It can also provide the payee with information related to the payment instrument without being linked to such an account.

Electronic payments: An e-Payment (or ‘electronic-payment’) is one in which monetary value is transferred electronically between two parties. Any payment that is not transacted by paper based instruments is considered an e-Payment transaction.

Euro area: The area encompassing the 19 EU Member States in which the euro has been adopted as the single currency and in which a single monetary policy is conducted under the responsibility of the relevant decision-making bodies of the ECB.

FinTech: Defined as the use of technology to deliver retail banking products and services to consumers and SMEs.

Heads of a Bill: Outline of a bill that is set to be published by the Government.

IBAN discrimination: IBAN discrimination is where an employer or company, such as a utility company, refuses to accept a SEPA IBAN for euro payments. IBAN discrimination is not permitted under the SEPA Regulation.

IBAN: An international payment account number identifier, which unambiguously identifies an individual payment account in an EU Member State, the elements of which are specified by the International Organisation for Standardisation.

NPS team: The specific team in the Department of Finance that is working on the National Payments Strategy.

Point of sale: The address of the physical premises of the merchant at which the payment transaction is initiated.

SEPA Inst: This is a Pan-European instant payment scheme that allows domestic and cross-border payments in euro to be made to and received from participating payment service providers (PSPs) anywhere in the Single Euro Payments Area.

SEPA: The Single Euro Payments Area initiative, covers all EU Member States, together with Iceland, Liechtenstein, Norway, Switzerland and Monaco. This came into force in 2014, created a single market for euro-denominated retail payments, allowing payment services users to make cashless, euro-denominated payments to payees located anywhere in the area that it covers under the same basic terms and conditions, using just one payment account and a single set of payment instruments.

Strong customer authentication: A method of authentication based on the use of two or more elements categorised as knowledge (something only the user knows), possession (something only the user possesses) and inherence (something the user is) that are independent, in that the breach of one does not compromise the reliability of the others, and is designed in such a way as to protect the confidentiality of the authentication data.

Request to pay: The RTP is not a payment means or a payment instrument, but a way to request a payment initiation. At a technical level an RTP can be defined as the set of operating rules and technical elements (including messages) that allow a payee (or creditor) to claim an amount of money from a payer (debtor) for a specific transaction.

Annex 1 – Terms of reference

Background
In November 2022, then the Minister for Finance, Paschal Donohoe T.D., published the Retail Banking Review, which set out a number of recommendations for Government, the Central Bank and industry.

One recommendation was that the Department of Finance should lead on the preparation of a new National Payments Strategy to be ready in 2024.

The recommendation stated that the Strategy should:

- Set out a roadmap for the future evolution of the entire payments system, taking account of developments in digital payments, the use of cheques and other issues;
- Examine how future changes should be made to the legislative Access to Cash criteria[84];
- Consider and consult on whether to legislate pre-emptively 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 and consult on whether it should be Government policy that public bodies should accept or facilitate the acceptance of cash for the payment of goods, services, taxes, levies, fees or charges.

The Strategy should be informed by, and aligned with, the Retail Payment strategy of the European Commission and the Eurosystem's Cash Strategy.

Since the development of the NPP over ten years ago, the payments landscape in Ireland, as well as globally, has changed significantly.

In Ireland, the number of banks serving the sector reduced from 12 to 3 as banks were amalgamated or closed down and foreign owned entrants exited the Irish retail market. We have also seen a considerable acceleration in technological developments and the pace of uptake has been accelerated by the Covid-19 pandemic. With that has come a decline in cash usage. Since 2015 the number of ATM transactions declined by 46%[85]. Card payments accounted for 62.4% of the total number of payment transactions in 2021[86].

At EU level, we have seen a number of pieces of financial services legislation developed during that time. There was a move from the first Payment Services Directive to the revised Payment Services Directive (PSD2) which was transposed in 2018. It aimed to make electronic payments

[84] The Review also recommended that legislation should be introduced to safeguard access to cash. Work on the Heads of a Bill to do this is well underway. These should be ready in 2023.
[85] https://www.centralbank.ie/statistics/data-and-analysis/creditand-debit-card-statistics
[86] https://www.centralbank.ie/statistics/data-and-analysis/payments-services-statistics

easier, faster and safer for both consumers and payment service providers. This Directive is currently under review by the European Commission and it is expected that a legislative proposal for a PSD3 is imminent.

The Digital Finance Package was published in September 2020 and included a suite of measures related to the banking and payments environment. While the Commission's Communication on a Retail Payments Strategy aimed to facilitate the push towards digital payments by users, the other proposals contained within the Package (and have since been adopted) aimed to ensure that service providers were able to withstand the risks that are posed by new, complex technologies within a rapidly changing environment.

The European Commission's legislative proposal to mandate SEPA Instant Payments is currently being negotiated at EU level and will set out a legal requirement for all entities within scope to provide SEPA Instant Credit Transfers or "instant payments".

Both the European Central Bank and the European Commission are also examining the possibility of developing a Euro-Area based Central Bank Digital Currency as a complement to cash, to be known as the digital euro.

The review of PSD2, a legislative proposal on legal tender and a proposal on a digital euro are expected to be published by the European Commission in June 2023.

These developments highlight the work already being done at EU level in the payments sphere and it will be important to consider these areas in the context of the National Payments Strategy in order to determine the gaps between what is being done at EU level and what needs to be done at domestic level.

In addition to the work of the European Commission, the Strategy will also be informed by the work underway at ECB level in relation to payments policy.

Objectives

The overarching goal of the NPS is to enhance and build public trust in and the effectiveness of the payments system, including the following interlocking principles.

Access and Choice – promoting reasonable options for consumers and small business

Security and Resilience - of the payments system and system operators

Innovation and Inclusion – future focus that enhances interoperability and inclusion

Sustainability and Efficiency – solutions that have regard to cost / benefit and the environment

Key components of the Strategy

The National Payments Strategy has three components to consider.

i. Payments roadmap

- The first component of the Strategy will be to look to the future of payments to determine what measures should be implemented or areas considered by the Department, the Central Bank, industry and relevant authorities in the coming years. The Retail Banking Review's recommendations set out that the Strategy should set out a roadmap for the future evolution of the entire payments system, taking account of developments in digital payments, the use of cheques and other issues.
- When examining the targets set out in the NPP, some areas will need to be considered further in order to determine whether they were successfully implemented and if they are still relevant to the payments sphere today. Cheque usage was a key focus of the NPP but since then, usage of this payment method has declined significantly and is no longer standard practice for payment service users. This should therefore not be the focus of the new National Payments Strategy. One issue that was not considered in the NPP was **payments fraud**. Within the payments market, fraud is constantly evolving. New forms of payment options and emerging forms of fraud have become more problematic for consumers in recent years and should be an area for further consideration in the Strategy. Strong Customer Authentication (SCA) was the focus of the revised Payment Services Directive in 2018 and was implemented as a means of combatting online fraud. Work is underway at EU level on payment fraud prevention, such as the evaluation of SCA under the European Commission's review of PSD2 and the inclusion of IBAN name checking with the proposals on Instant Payments. However, as digital payments open up the possibility of fraud carried out using other means such as apps, emails and messages, analysis should be done at national level to examine what the key problems are domestically to see if they can be mitigated.
- Another possible area for consideration under the Strategy is insights derived from research and **data collection and sharing**. In recent years, it has become clear that there is a gap in the level of data and statistics available on the Irish payments market. The Strategy should consider the forthcoming new data to be published by the Central Bank, and assess the extent to which it addresses the existing data gaps as well as considering further research and analysis on payments.
- The Strategy should look at existing legislation and legislation coming down the line at EU level and consider whether there is a need to build upon these at domestic level. For example, the Commission's proposal on Instant Payments is currently being negotiated and all entities offering SEPA Credit Transfers will soon be required to offer SEPA Instant Credit Transfers, known as "Instant Payments". While this is mandated at EU level, there may be merit to **building upon the basic framework** brought in by this legislation and examining how it could best serve consumer needs. This could include the possibility of using QR codes or similar technologies to make payments – not just Instant Payments but

also leveraging other account based transfers such as SEPA direct debits and Request-to-Pay facilities.

- Finally, the Strategy should look to the possibilities for greater access to and use of **Open Banking** in Ireland. Open Banking stems from PSD2 which allowed greater access to individuals' data on the basis of consent. In Ireland, we have seen little use of Open Banking and few providers offering services based on access to accounts. This is an area that should be analysed under the Strategy to determine if Government or Central Bank intervention is needed to encourage greater use of Open Banking. In particular, there has been some discussion more broadly of the potential for Open Banking to assist with online purchases and Strong Customer Authentication through the use of consent dashboards. This would not be possible if the domestic retail banks do not allow smooth access to accounts.
- Overall, there will be a need to ensure a balance is met between ensuring that access to cash is preserved and acceptance of cash is facilitated; and encouraging the use and promoting availability of digital payment methods.

ii. Acceptance

- The second area of focus for the National Payments Strategy is *acceptance* of cash. The Strategy should examine whether there should be a legislative requirement put in place domestically in relation to the acceptance of payment methods by certain classes of firms, sectors or sub-sectors. The Strategy should also consider whether it should be Government policy that public bodies should accept or facilitate the acceptance of cash for the payment of goods, services, taxes, levies, fees or charges.

iii. Access

- The last area to consider relates to the reasonable *access* to cash criteria set out in the Access to Cash legislation that is currently being developed by the Department. The Strategy will look at cash levels following the publication of the Bill and evaluate what if any changes should be made to the criteria for "reasonable access". This aspect will focus on the impact of the introduction of the criteria following publication of the Bill and is a requirement of the Retail Banking Review.

Annex 2 – Abbreviations

A2A	Account to Account
AIE	Access to Information on the Environment regulations 2007-2018
AISPs	Account Information Service Providers
API	Application Programing Interface
ART	Asset Reference Token
ATM	Automated Teller Machine
BIC	Bank Identifier Code
BPFI	Banking and Payment Federation Ireland
CBDC	Central Bank Digital Currency
Central Bank	Central Bank of Ireland
CIT	Cash-in-transit
ComReg	Commission for Communications Regulations
DLT	Distributed ledger technology
DORA	Digital Operational Resilience Act
ECB	European Central Bank
EMI	E-Money Institution
EMT	E-Money Token
EU	European Union
FOI	Freedom of Information
FSAP	Financial Stability Assessment Program
FinTech	Financial Technology Firm
FOI	Freedom of Information Act 2014
GDPR	General Data Protection Regulation
IAD	Independent ATM Deployer

IBAN	International Bank Account Number
IMF	International Monetary Fund
IPCC	Irish Paper Clearing Company
MICAR	Markets in Crypto Assets Regulation
NPP	National Payment Plan
NPS	National Payments Strategy
OTC	Over The Counter
PI	Payment Institution
PISP	Payment Initiation Service Providers
PoS	Point of Sale
PSD2	Second Payment Services Directive
PSD3	Proposal for a Third Payment Services Directive
PSP	Payment Service Provider
PSR	Proposal for a Payment Services Regulation
RBR	Retail Banking Review
RTGSS	Real Time Gross Settlement System
RTP	Request to Pay
SCA	Strong Customer Authentication
SEPA	Single Euro Payments Area
SCT Inst	SEPA Instant Credit Transfer
SME	Small or Medium Enterprise
SPACE	Study on the Payment Attitudes of Consumers in the euro area
ToR	Terms of Reference

Annex 3 – Consultation questions

<u>Questions – Objectives of the NPS</u>

The NPS is interested in the public's views on the timeline and the vision for the NPS, the proposed timeline to 2030 aligns with developments in the area, including EU legislation.

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

3.2 What reflections have you on the NPS principles?

3.3 What are the main issues that undermine consumer trust in the Irish payment system?

3.4 The NPS will set out a vision for the payments system, what is your vision for the Irish payments system?

<u>Questions – Review of the NPP</u>

The previous NPP in 2013 sought to make electronic payments the preferred means of payment for most people and to accelerate the decline in cheque usage. In contrast, a key of objective of this Strategy is Access and Choice by promoting reasonable options for consumers and small businesses.

4.1 Do you think that there is a reasonable level of choice in the payment methods currently available to consumers in Ireland?

4.2 If not, are there any initiatives that could be undertaken in addition to the legislation currently in train at an EU and domestic level, to better promote access and choice?

4.3 How can the NPS continue to support vulnerable groups access to the payments system?

<u>Questions – Instant payments</u>

Instant Payments are not widely available in Ireland and there is a lack of consumer understanding of this position due to the availability of close alternatives, as a result the relative poor position of Ireland compared to our European peers suggests that initiatives complementing the forthcoming regulation on instant payments may be beneficial.

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

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

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

Questions – Payment fraud

Security and Resilience are the cornerstone of a well-functioning payment system t capable of being trusted by consumers and small businesses. To ensure continued trust in the Irish system consumers need to have the confidence to be able to make payments without the risk of being subject to fraudulent transactions. Fraud can be divided roughly into two types, authorised push payment fraud and unauthorised payment fraud. Unauthorised payment fraud involves a payment being made without the authorisation of the payer. By comparison, authorised push payment fraud, involves the use of social engineering techniques by the fraudster to deceive the payer into making a payment to someone other than the intended recipient or for a purpose other than what led the payer to make the payment.

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?

Fraudsters impersonate an array of organisations. Nevertheless, the European Commission's proposed PSR concentrates the liability on banks under specific circumstances to provide redress to the consumer.

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 payment fraud? If so, which sectors and actors are most relevant?

Questions – Open banking

Open banking can improve the consumer experience and assist them in managing their financial affairs if rolled out successful.

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

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

4.11 Do you see a role for an Irish open banking forum to enhance collaboration in open banking?

Questions – Crypto-assets

From a strategic planning perspective, it is difficult to ascertain the number and value of crypto-assets which are used as a means of payment as opposed to speculative purposes. It is important to distinguish between investment and payment to understand the important of crypto-asset payments in the context of the Irish payments ecosystem.

4.12 What are the advantages and disadvantages of paying with crypto-assets as compared to other means of payment?

4.13 Can you provide specific use-cases of a crypto-asset a form of payment?

Questions – Data collection

In recent years, it has become clear that there is a gap in the level of data and statistics available on the Irish payments market. Consequently, the NPS will consider the forthcoming new data to be published by the Central Bank, and assess the extent to which it addresses the existing data gaps as well as considering further research and analysis on payment.

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?

4.15 What other data gaps in the Irish payment ecosystem, which have yet to be identified? What metrics should be considered to maximise insight into these sectors and which organisations are best placed to collect and analyse these?

Questions – Access to cash

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.

5.1 To what degree should access to cash be guided by the usage of cash? For example, if the usage of cash falls by 50% from 2022 levels, should the level of access follow in step i.e. by 50% or by a smaller amount, i.e. by 25%?

5.2 If the usage of cash fell by 50% from 2022 levels should other factors be considered when assessing criteria on access, such as usage of cash access points? For example, could the population density criteria be relaxed while the cash access point criteria be held constant?

5.3 If cash usage fell by 50% from 2022 levels, how are factors like cost to be considered to ensure the system is resilient?

5.4 In the long term (5-10 years plus) what level of access to cash facilities are consumers and business expecting to exist?

*5.5 Within the Access to Cash legislation, what factors should be considered when the distance and population density criteria **are met** in order to identify if a local deficiency exists? How should this be addressed?*

5.6 Have you (as a consumer or small business) experienced barriers to access to cash? If so, what are they? What would be helpful to counter these?

5.7 Are there situations where you (as a consumer or small business) find cash as a better alternative to digital payments – if so, please elaborate?

5.8 In the event of a digital payments disruption, do you see cash playing a role and how might this work?

Questions – Acceptance of cash private sector

The European Commission will develop common euro area wide indicators via the legal tender proposal to monitor acceptance of cash, for example, the density of cash access points in relation to population, withdrawal and deposit conditions, including fees, the existence of different networks with different access modalities for customers, urban-rural and socio-economic variations, and access difficulties for certain population groups. From an Irish perspective, the NPS is interested in the public's view on the acceptance of cash.

6.1 Do you believe there is, or there may be, a trend emerging of non-acceptance of cash in Ireland? Where or in what circumstances have you experienced this?

6.2 Do you agree with the principle of universal cash acceptance? Or do you believe it can be limited to certain critical classes of payment?

6.3 Do you believe it remains appropriate or necessary to ensure acceptance of cash as a form of payment? Do you believe you have enough choice as to how you can pay for everyday goods and services?

6.4 If monitoring shows that the acceptance of cash is inadequate, what should be considered when developing remedial measures?

6.5 Have people encountered situations where there have been price differences between payment types at the POS? How prevalent/common are these situations? How can this be addressed? How do charges at ATMs impact on decisions to use cash?

Questions – Acceptance of cash public sector

Public bodies have an obligation to act efficiently in their duties to minimise their impact on the taxpayer and provide a high quality services. While doing so they must also provide fair access to public services. Therefore, ensuring a balance between efficiency and access by the public is important.

6.6 What is your view on the levels of acceptance of cash in Ireland by public bodies for public services?

6.7 Have groups or individuals experienced challenges or have been excluded from accessing public services due to the lack of payment methods available?

6.8 What should public bodies consider when offering payment methods for services they provide?

6.9 Should all public services have an obligation to accept or facilitate the acceptance of cash? Or is there a sub-set of essential services that should?

Annex 4 – About you

1. **What is your name**

Name (Required)

2. **What is your email address?**

Email (Required)

3. **I am responding as:**

	An individual contributing in a personal capacity
	A representative of an organisation

4. **If you are responding on behalf of an organisation, please enter your organisation name here:**

Organisation

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