

Summary of the second meeting of the Irish Retail Payments Forum

18 February 2019

This note summarises the main conclusions of the second meeting of the Irish Retail Payments Forum (IRPF), which was hosted by the Central Bank of Ireland (Central Bank) on 18th February 2019.

National Transport Authority (NTA) – Next Generation Ticketing

NTA provided a [presentation](#) on its next generation ticketing project, which aims to renew the ticketing equipment and methods of payment available to customers, starting with selected bus services. The payment process at bus stops is one of the biggest causes of travel delays, second only to traffic congestion. Payments by cash and in some cases with Leap Cards (given the complexity of stages) can require a high level of interaction with the driver, which ultimately causes delays. Multiplied by the number of stops on a route, these delays accumulate to add significantly to the overall journey time.

In order to address these delays, and to improve customer convenience more generally, NTA plans to implement a new account based ticketing system incorporating several different methods of payments such as contactless debit and credit cards (including Apple Pay and Google Pay) and QR codes (paper or app). The NTA also plans to introduce a new 90-minute fare in Dublin, which could be used across multiple services, e.g. Dublin Bus and Luas. The ultimate aim is to introduce cashless operations so that the ticketing process becomes self-servicing.

The benefits of moving from a card-based to an “account-based” (bank account not required for QR codes) approach will provide the customer with a number of benefits, including:

- Reduction in overall travel time;
- Additional post-pay options and payment methods, as opposed to the old pre-pay system; and
- Multiple media can be used, e.g. cards, smartphones, smartwatches, QR codes;
- Easier to make corrections for customers, e.g. following travel disruptions.

Some members questioned if the new account based system could result in financial exclusion for customers whose preferred payment method is cash. NTA explained that paper-based QR codes would be available for purchase in retailers, which could be used to scan on at the ticket validator.

Department of Finance – Payments Research

The Department of Finance provided a high-level presentation on the main findings of the Indecon report on benchmarking of Ireland's payment industry.

The report shows that Ireland has made very significant progress in recent years in moving from a cash-intensive economy with a rapid increase in the take-up of electronic payments and now ranks tenth out of 27 EU Member States for the combined use of card payments, credit transfers and direct debits.

The report shows that payment cards play an important role in how we pay, and that Irish people have taken to debit cards and contactless payments. The rapid growth in card usage in Ireland is likely to have been influenced by a number of factors including, the introduction of contactless functionality and increased acceptance by retailers.

The report notes a risk that some segments of Ireland's society could be excluded by an accelerated move to electronic payments, though it also finds that access to a bank account has increased dramatically over the last decade. While the rapid advancement in electronic payments has benefits for the Irish economy, the report observes concerns about security and the continuity of payment systems in Ireland, which suggests the need for contingency planning to provide for the risk of an outage in electronic payments.

In terms of the enterprise economy, the report showed that approximately 30% of Irish enterprises are selling online; however, only one in five enterprises have the ability for consumers to make payments online. This illustrates the need for further progress by business to embrace the use of e-payments.

The members welcomed the report and its findings. It was noted that although one of the main themes is the migration towards electronic methods of payment, it was critical to ensure cash availability and acceptance. One member noted that the cost of cash is an area that could be addressed by making improvements to the cash infrastructure, e.g. further automation. Overall, it was widely agreed that although there are many benefits to be gained by utilising electronic payments, cash as a payment method would continue to be used by consumers for some time to come.

The forum also discussed contactless card payments and the limits (in terms of amount) on contactless transactions.

Link to full report: <https://www.finance.gov.ie/updates/minister-donohoe-welcomes-report-benchmarking-irelands-payments-industry/>

Banking and Payments Federation Ireland – PSD2 Update

The Banking and Payments Federation Ireland presented on the Second Payment Services Directive (PSD2), with a focus on raising consumer awareness in the areas of Secure Customer Authentication and Open Banking, which are now provided for under the legislation.

Secure Customer Authentication (SCA)

The utilisation of SCA is now mandated under PSD2. The purpose of SCA is to strengthen the security of electronic payments in order to protect the underlying consumer, including businesses. SCA is applied using dual factor authentication. The customer's identity has to be verified using at least two of the following:

- *Knowledge* – something only the customer knows e.g., password or PIN
- *Possession* – something the customer has e.g. a card or mobile phone
- *Inherence* – something the customer is e.g. a fingerprint or voice recognition

SCA will apply to all electronic transactions unless they are eligible for an exemption. Examples of transactions that may be exempt include, amongst others:

- Online and mobile payments up to €30;
- Contactless card payments up to €30 (PIN will be required every 6th transaction); and
- Payments to trusted beneficiaries that have been recorded through the customer's bank.

Open Banking

Open Banking provides consumers with innovative and secure way to manage their finances. Open Banking is a mechanism that allows consumers to share account information and make payments through regulated Third Party Providers (TPPs). Examples of TPPs include:

1. Payment Initiation Service Providers (PISP)

PISPs offer consumers with an alternative to using credit/debit cards, by paying for goods or services directly from the consumer's bank account.

2. Account Information Services Provider (AISP)

AISPs allows consumers to share financial details with TPPs to help manage their accounts in a more informed and efficient manner. AISPs also assist consumers to make better comparisons of products and services.

TPPs must be authorised to provide services in Ireland by the Central Bank. Once authorised, TPPs remain under the supervision of the Central Bank. TPPs are subject to strict security and data protection laws, similar to commercial banks. Unlike SCA, the use of TPPs by consumers is elective. Consumers can request information from the TPP before they elect to use them. Consumers can revoke access provided to TPPs at any time.

BPFI noted that there remains a significant gap in terms of merchants utilising SCA for e-commerce in Ireland. BPFI encouraged all relevant stakeholders to engage with each other to increase awareness and education in order to close this gap.

A number of members provided details of various activities undertaken to promote the use and benefits of SCA and Open Banking. With respect to the use of TPPs it was noted that challenges remain to create a level of trust amongst consumers and that this evolution may take some time. It was also noted that by utilising the SCA exemptions available under PSD2, disruption to customer convenience could be minimised.

While the introduction of enhanced SCA and the implementation of APIs are obligated under regulation, some members voiced concerns that the cost of introducing these additional security measures is ultimately borne by smaller businesses, either directly or indirectly through bank charges. In this regard, it was noted that some protection is afforded by the requirement of commercial banks to notify the Central Bank of increases in bank charges, under [Section 149A of the Consumer Credit Act 1995](#).

BPFI welcomed the open nature of the discussion and assured the members that the feedback would be considered and that the matter could be discussed in more detail either bi-laterally or at the next meeting. BPFI encouraged members to continue engaging with their stakeholders, and asked members to encourage all affected stakeholders to engage with their respective commercial banks. BPFI also reminded that all banks could be communicating directly with their customers regarding the specifics of the changes being introduced.

Brexit

There was a brief discussion regarding a potential SEPA issue that could arise in the event of a 'no deal' BREXIT scenario. The issue concerned the continued participation of UK payment service providers' (PSPs) in the SEPA Credit Transfer and Direct Debit Schemes should the UK leave the EU. BPFI noted that an application for the UK PSPs' continued participation was currently being assessed by the European Payments Council (EPC), and that the latest indications were that the issue would be resolved before any consumer disruption materialised. BPFI also emphasised that the relevant stakeholders have explored contingency arrangements as a precaution.

List of Attendees of the first meeting of the Irish Retail Payments Forum (IRPF) on 18 February 2019

Chair: Will Molloy, Head of Payments & Securities Settlement (PSS)

Central Bank of Ireland
Banking & Payments Federation Ireland (BPF)
Department of Finance
Fintech & Payments Association of Ireland (FPAI)
Irish Business and Employers Confederation (IBEC)
Irish Small and Medium Enterprises Association (ISME)
MasterCard
National Transport Authority (NTA)
Retail Grocery, Dairy & Allied Trades Association (RGDATA)
VISA
Convenience Stores and Newsagents Association (CSNA)
Irish League of Credit Unions (ILCU)
Credit Union Development Association (CUDA)
An Post
Payzone Ireland
Competition and Consumer Protection Commission (CCPC)
AIB Merchant Services
Elavon
Bank of Ireland Payment Acceptance