

Summary of the fourth meeting of the Irish Retail Payments Forum

11 December 2019

This note summarises the main conclusions of the fourth meeting of the Irish Retail Payments Forum (IRPF), which was hosted by the Central Bank of Ireland (Central Bank) on 11th December 2019.

Approval of the agenda and opening remarks

The Chair opened the meeting by welcoming all members to the fourth meeting of this group. He provided an overview of some of the key issues that were discussed during 2019 and reiterated that the objective behind establishing the IRPF was to provide a forum where payment services providers and payment services users have an opportunity to meet and engage in an open and constructive dialogue in relation to Irish retail payment services.

Looking forward, the Chair highlighted a piece of work that the Central Bank is doing in the area of retail payments. The Bank intends to publish a paper entitled *Ireland's Payment and Securities Settlement Systems Infrastructure* in Q1 2020, which provides an overview of the payment and securities settlement systems serving the Irish market.

The Chair also highlighted the recently announced Eurosystem Retail Payments Strategy, which will focus on retail payments at the point of interaction (POI), i.e. physical point of sale and e-commerce, and person-to-person (P2P). The European economy relies heavily on the smooth transmission of electronic payments. Significant progress has been made towards achieving an integrated payments market, primarily through the introduction of the Single Euro Payments Area (SEPA) Regulation, which introduced mandatory requirements for credit transfers and direct debits.

Recent initiatives such as the SEPA instant credit transfer scheme¹ (SCT Inst) have also gained momentum. However, as SCT Inst is currently voluntary, a large number of payment service providers (PSPs) in the EU have not yet adhered to the scheme, the majority of Irish banks fall into this category. This has reintroduced a level of fragmentation in the European retail payments market. Furthermore, the majority of POI payments in Europe (including all cross border card payments) are primarily facilitated by US-based companies due to the lack of a pan-European provider.

It is clear that a significant challenge remains to create a pan-European solution for all POI and P2P payments. Given its objective under the Treaty and the Statute of the ESCB to ensure efficient and sound payment systems in the EU, the Eurosystem has developed a strategy to address the current deficiencies identified in the European retail payments market. The development of pan-European solutions should meet the following five key objectives:

¹ The European Payments Council (EPC) launched the **SCT Instant Payment Scheme** (SCT Inst) to ensure a standardised approach to instant payments in the euro area. The SCT Inst scheme enables euro credit transfers with the funds made available on the payee's account in less than ten seconds at any time and in an area that will progressively span over 34 European countries.

1. The solution should have pan-European reach and have a consistent customer experience.
2. The solution should be convenient and offered under cost efficient conditions.
3. The solution should comply with all relevant Regulations and oversight requirements.
4. The solution should have a European brand and be subject to European governance.
5. The solution should cater for global acceptance (long-term objective).

The Eurosystem prefers that any proposed solution is market-led, and it will support the development of any solution that addresses the above-mentioned objectives to the largest extent possible. The Eurosystem considers the pan-European Payments Solution (PEPS) initiative , currently under development by a group of 20 European banks, to be very promising in this regard.

The Chair noted that this strategy would most likely be the focal point for work in the area of retail payments in the Eurosystem in 2020. The IRPF will have an important role to play in ensuring that both supply and demand side in Ireland are fully informed of these developments to ensure that we are well positioned to engage with and operationalise such initiatives in a timely manner. Members noted the update and asked to be informed as the strategy develops.

PSD2 – Strong Customer Authentication

The Central Bank provided an update on PSD2, specifically Secure Customer Authentication (SCA) and the corresponding migration plans that PSPs are required to complete.

Background

SCA is a process that validates the identity of the user of a payment service or of the payment transaction. The overall purpose of SCA is to contribute to reducing fraud for online payments. A PSP must apply SCA where a payer:

- accesses its payment account online;
- initiates an electronic payment transaction; or
- carries out any action through a remote channel which may imply a risk of payment fraud or other abuses.

SCA is based on the use of a process known as ‘two-factor authentication’. Two or more elements of the following must be used to validate the user:

- knowledge (something only the user knows, e.g. a password or PIN);
- possession (something only the user possesses, e.g., authentication code generating device); or
- inherence (something only the user is, e.g., fingerprint or voice recognition).

In addition, for remote (primarily online) transactions a unique authentication code, which dynamically links the transaction to a specific payee and a specific amount, must also apply.

The European Banking Authority (EBA) developed the [Regulatory Technical Standards \(RTS\) on SCA](#), which were published in June 2017. However, the effective date of the RTS on SCA was deferred until 14 September 2019 to allow industry more time to prepare for what is a large and complex change. The RTS was vague on what constitutes the different elements of SCA, which led to some uncertainty in the market when preparing for the 14 September deadline. In response, the EBA released an Opinion in October 2019 setting **31 December 2020 as the revised deadline for migration.**

Migration Plans

PSPs are required to have their SCA plans completed by 31 December 2020. As part of these migration plans PSPs must:

- Identify the SCA-compliant authentication approaches
- Identify any SCA exemptions they intend to offer (as afforded by the RTS)
- Explain how users will be enrolled into these authentication approaches
- Inform users about the SCA-compliant authentication approaches
- Inform users what exemptions will be utilised
- Establish educational campaigns as needed

The Bank reiterated that no further extension of the SCA deadline will be afforded and that the **final migration deadline will be 31 December 2020.** The Bank highlighted that SCA will disrupt how payments are made and encouraged all relevant stakeholders to engage with each other in order to examine how payment processes will be impacted and ultimately move towards compliance.

Concerns were raised that inconsistent approaches could be taken across the Eurosystem when applying SCA exemptions due to the lack of granular detail contained in the RTS. One member enquired if the Bank publishes any information on its website regarding SCA as they have received information from many different stakeholders to date, and it would be useful to have a consistent and clear message coming from the authorities. The Bank confirmed that it would be issuing a [notice on SCA](#) on 17 December 2019, which will be published on its website.

Brexit

The Bank provided an update on the EU Funds Transfer Regulation issue, which was discussed at the previous meeting. In the event of the UK leaving the EU without an agreement, payments to and from the UK would be considered ‘third country’ payments. Under the EU Funds Transfer Regulation, additional information must be included on payment messages going to or originating from a third country, specifically the payer’s or debtor’s full address. The Bank highlighted ongoing engagement with the Irish PSPs and the UK authorities to ensure that all appropriate actions are taken to minimise the risk of payments being rejected. The Bank has

been informed that the Irish and UK PSPs have made significant progress to comply with the requirements. However, a residual risk to Irish payments remains. The BPFII confirmed that work was continuing to ensure that all PSPs have taken the necessary mitigating actions to ensure compliance with the Regulation.

The Chair invited the members to raise any BREXIT related concerns that could potentially have an impact on the Irish retail payments market, regardless of how immaterial they may seem. He encouraged all members to remain vigilant with respect to risks that could quickly develop, citing the Funds Transfer Regulation as a prime example which when first raised was not thought to have significant risk attached.

One member raised the potential for disruptions in cases where Irish retailers rely on UK suppliers if payments are delayed. The Chair encouraged such retailers to proactively engage with their UK suppliers to ensure that they are aware of and comply with any additional requirements that may stem from the BREXIT negotiations.

Future IRPF Items

- The launch of the Bank's upcoming paper '*Ireland's Payment and Securities Settlement Systems Infrastructure*' and
- The European Retail Payments Strategy
- The road map for migration towards SCA for the entire market as most of the key stakeholders participate in the forum.
- Strategy for cash
- Anti-Money Laundering and the associated guidelines and requirements.

Some members suggested an agenda item regarding the BPFII's Project Pegasus, which aims to introduce a mobile banking application. The BPFII noted that this may be premature at this stage, as they are currently negotiating with vendors. However, they committed to keeping members informed on progress.

List of Attendees of the fourth meeting of the Irish Retail Payments Forum (IRPF) on 11 December 2019

Chair: Will Molloy, Director of Financial Operations, the Central Bank of Ireland

Central Bank of Ireland
Banking & Payments Federation Ireland (BPI)
Department of Finance
Fintech & Payments Association of Ireland (FPAI)
Irish Business and Employers Confederation (IBEC)
Consumer Association of Ireland
Irish Small and Medium Enterprises Association (ISME)
MasterCard
National Transport Authority (NTA)
VISA
Irish League of Credit Unions (ILCU)
Credit Union Development Association (CUDA)
Credit Union Compliance Centre
Convenience Stores and Newsagents Association