

## **Summary of the fifth meeting of the Irish Retail Payments Forum 06 October 2020**

*This note summarises the main conclusions of the fifth meeting of the Irish Retail Payments Forum (IRPF), which was hosted by the Central Bank of Ireland (Central Bank) on 6<sup>th</sup> October 2020.*

### **Approval of the agenda and opening remarks**

The Chair opened the meeting by welcoming all members to the fifth meeting of the Irish Retail Payments Forum. He provided an overview of some of the key issues currently facing the payments area including the impact of SCA and Brexit.

Regarding developments since the last meeting, the Chair highlighted the European Retail Payments Strategy ('the Strategy'), at the heart of which was the need for Europe to be served with riskless and low cost means of payment which reflected changes in technology and consumer preferences. He also highlighted the need to preserve the autonomy of European payments.

In this regard the evolving European Payments Initiative (EPI), was noted - a private sector proposal, which aims to provide a unified payment solution for consumers and merchants. The Chair also highlighted the support from the Eurosystem around this initiative, as it broadly satisfies the key pillars of the Strategy. Furthermore, the research being undertaken by the Eurosystem regarding Central Bank Digital Currency (CBDC) was mentioned, with the Chair affirming that CBDC would provide a complement to cash, not a substitute for it. He reiterated that these initiatives are focused on embracing the strengths of both the public and private sectors in order to ensure the payments landscape remains competitive and innovative.

In addition to this, the Chair mentioned the impact of Covid-19 over the last few months and the change it has brought. He noted the continuing growth in contactless payments, based on the BPF data for August which indicated that the daily number of contactless payments had doubled since April.

One of the members added to this by acknowledging the challenges faced by both business and consumers; noting that from a payments perspective there has been significant changes in consumer behaviour. In relation to contactless payments, Ireland were one of the first markets to move to increase the limit of 50 euro on contactless payments and this was well received by the market.

The Chair noted there was no significant actions arising from the last meeting, other than some information requests, which were addressed.

### **Payments Ecosystem Update**

The Central Bank provided an update on some developments across the payments ecosystem over the last few months. It was noted that in April 2020, the Central Bank published its paper on [Ireland's Payment and Securities Settlement Systems Infrastructure](#). The paper details each layer of the payments ecosystem and provides insight to the oversight regimes applicable to the operators providing services to Ireland. The objectives of the paper were as follows;

- To increase awareness of the various payment systems/schemes on which electronic retail and wholesale payments in Ireland are reliant;

- To increase awareness of the oversight requirements to which these systems/schemes are subject and the role of the Eurosystem including the Central Bank; and
- Highlight certain dependencies that exist within the payments market.

An overview of the impact of the pandemic on financial service firms was then provided including a review of any payment incidents that occurred since the last meeting. It was noted that operations carried on without any significant outages relating to the pandemic. The importance of having robust contingency procedures and business continuity measures in place was stressed. Members, in particular the representative bodies, were asked to ensure that appropriate consideration is given by all to assessing operational risks, with a particular focus on critical service providers. Points to consider include:

- awareness of dependencies on outsourced partners or downstream stakeholders in your payments chain;
- ease of substitutability for critical service providers;
- level of risk acceptance.

Looking to the future it was noted that the European Commission had published their retail payments strategy, which aligns with the Eurosystem's strategy, with instant payments, pan European solutions at the point-of-interaction and digital identities being the focus. Furthermore, two public consultations by the ECB on the new oversight framework for payment instruments, schemes and arrangements and on central bank digital currency were also highlighted.

One member added that from a retail payments perspective, stability and continuity in payments during the pandemic was down to a huge joint effort by the domestic banks. A framework was established whereby the banks were brought together to identify common risks and ways of operating efficiently to ensure continuity of service. The member offered to share the framework document with members.

## **Project Pegasus**

BPFI presented on Project Pegasus; outlining that it is a new mobile centric account-to-account payment system that five retail banks have been working on for the past 2.5 to 3 years. The presentation noted that almost all countries have a domestic payments scheme, with the Nordics being very advanced. Motivations for this project stem from customers' expectations increasing and the need to be able to change in line with these expectations and behaviours with a significant move toward mobile and contactless payments. It was highlighted that it is not trying to replace card schemes, but rather to redress what they regard in the bank sector as an imbalance and over reliance on non-domestic card schemes.

Overview of the service:

- **Payment Service:** The new payment service has four key focus areas. Peer to Peer will be launched first and will be the platform for the remaining focus areas. Hoping to expand then to small merchants, online and the large merchants in the long term;
- **Customers:** The Customers are Financial Service Institutions, Payment Service Providers, and Merchant Acquirers. The Scheme will never engage directly with consumers or merchants with this payment service;

- Market Place: Consumers and Merchants will become aware of the service through successful branding and marketing. They will then engage with their Financial Service provider or Payment Service provider to use the service.

The structure of the central entity was outlined, there will be a board of directors consisting of the founding members, and the entity is seeking other members to join. Offers of membership are limited to any euro denominated IBAN issuer.

One member requested that BPFi share thoughts on the business model that will underpin this service and the costs relating to it. BPFi confirmed that the central entity would not be involved in charging the merchants or consumers. The banks will be charged a small fee for any payment that flows through the platform and it is up to the banks to determine what is charged to the consumers. BPFi indicated that the ambition is that the project would be completed and ready to roll out by mid-year 2021.

The BPFi spoke briefly on the topic of e-IDs noting it is an emerging topic in other European countries and that there is a variety of ways it can be set up to help with digital onboarding of customers and account openings. BPFi stated they are at an exploratory stage with the banks regarding this.

## **ECB's sixth oversight report on card fraud**

The Central Bank gave an overview of the ECB's sixth report on card fraud published in August 2020. The report analyses fraud developments relating to domestic and international card payment schemes (CPSs) operating in the SEPA area from 2014-2018. Statistical information was collected from 23 CPSs, 19 national and 4 international. The data concerned Card Not Present, Point of Sale and ATM transactions.

The presentation showed the total value and volume of fraud from 2014 – 2018. In 2018, card fraud volume increased by 25.1% compared with 2017 while the total number of card transactions increased by 11.3%. It was noted that Card Not Present fraud (mainly online fraud), continues to be the most prominent type of card fraud. From an issuing perspective, the rates of fraud in France and the UK were the highest, while rates in Romania and Poland were the lowest. In conclusion it was highlighted that all stakeholders are encouraged to continue sharing information relating to fraud prevention and adhere to best security practices, e.g.:

- the implementation of SCA;
- the implementation of tokenisation;
- enhanced customer security education; and
- increased physical security measures at terminals (e.g. skimming device detectors).

## **Strong Customer Authentication**

The Central Bank gave an overview of SCA, with the purpose of highlighting the deadline for implementation being 31 December 2020. The presentation reinforced the key measures that need to be taken to be in compliance by the deadline. 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); and
- inherence (something only the user is, e.g., fingerprint or voice recognition).

In addition, the security requirements will require a dynamic link (in the form of a code or one-time password sent to the user) which is linked to the amount of the transaction and the account of the payee, to further reduce the risk of fraud.

Furthermore, the path to implementation was outlined, reminding members of the decision by the EBA to allow NCAs to grant supervisory flexibility around the implementation of SCA until 31 Dec 2020. The Central Bank allowed Payment Service Providers (PSPs) this flexibility, as did all other NCAs. In recent developments, due to the impact of COVID-19 it was noted that there were renewed calls by industry to have a further extension granted to the SCA implementation date of 31 Dec 2020. However, the EBA confirmed that no further flexibility would be granted on the matter. PSPs need to take the required actions to become SCA compliant by 31 December 2020.

The BPFi added to this by indicating that according to their evidence, only 25% of the merchant community is ready at this point in time; however, the hope is that merchants have progressed the standard but have not yet implemented it. From an issuing bank perspective, the BPFi will be launching a consumer awareness campaign to try to educate customers that there is change coming. The awareness campaign will be launched 16 November 2020.

### **Brexit - FTR/SEPA update**

The Central Bank gave an update on the ongoing Fund Transfer Regulation (FTR) and SEPA risks relating to BREXIT. The Central Bank are receiving regular reports from Irish PSPs, which indicate that a minority, but still significant, number of SEPA Direct Debit payments in terms of value, to and from the UK, do not currently contain the information that will be required from 1 January 2021 i.e. debtors address and, if requested, BIC. Furthermore, a significant number of originators/creditors have yet to confirm to their PSPs whether they will be compliant by end 2020. To conclude it was highlighted that the risk remains that payments will be rejected post Dec 2020 unless action is taken by UK and Irish originators (creditors) and PSPs. All participants and their members were asked to redouble efforts to ensure full SEPA compliance by end year. If full compliance is not achieved, alternative means of payments will need to be facilitated for customers to ensure payments can be received without disruption post end Dec 2020.

The BPFi agreed with the Central Bank's message in relation to the FTR and outlined that the banks are not in a position to solve this, urging the retail members to check in with their membership, ensuring they are aware of this issue and engaging with their PSP to ensure compliance with the additional information requirements post end Dec 2020.

### **AOB**

One member proposed including Section 149 of the Consumer Credit Act 1995 on the agenda for the next meeting.