

Introduction

Ireland South East Financial Services Cluster (“SE FS Cluster”) is a cluster arising from the Regional Economic Development Plan dedicated to fostering growth and development in the financial services sector. Established to capitalise on the region’s potential and strengths it is directed by Ireland South East Development Office, supported, and funded by the five local authorities of Wexford, Waterford, Carlow, Kilkenny, and Tipperary. The cluster ignited in February 2020 with six organisations including BNY Mellon, Carne, State Street, Swiss Financial, IDA and SETU academia leaders aiming to enhance collaboration, innovation, and competitiveness within the industry.

The cluster is aligned with the Department of Finance, Ireland for Finance strategy aims to increase focus on regionalisation, diversity, FinTech and sustainable finance. The cluster works closely with stakeholders including financial institutions, government agencies, educational institutions, and industry experts to create an ecosystem conducive to economic development. By facilitating networking opportunities, knowledge sharing, and access to resources, the organisation seeks to attract investment, talent, and businesses to the region.

<https://www.irelandsoutheastfscluster.com>

Since the SE FS Cluster inception, the FinTech industry has been the pillar of its growth, playing a crucial role in the region's economic development. One of the primary objectives of the Ireland South East Financial Services Cluster is to drive economic growth in the region. Through targeted initiatives, such as investment promotion, skills development, and infrastructure enhancement, the cluster endeavours to create a thriving Financial Services / FinTech hub that contributes significantly to the local economy.

In recent years, the cluster has witnessed **notable growth in economic development within the South East region**. This growth can be attributed to various factors, including:

- 1. Increased Investment:** The cluster's efforts to promote the region as an attractive destination for investment have resulted in a rise in both domestic and foreign investment in financial services / FinTech firms. This influx of capital has stimulated economic activity and created employment opportunities.

A key milestone for the SE FS Services Cluster is the attainment of "unicorn" status by TransferMate. TransferMate is a FinTech company based in the South East region of Ireland that specialises in providing international payment solutions for businesses. Achieving "unicorn" status means that TransferMate has reached a valuation of over \$1 billion, making it one of the rare and highly sought-after tech startups with a valuation

in excess of this threshold. This milestone is significant for the Ireland South East Financial Services Cluster for several reasons:

- a) **Validation of Regional Potential:** TransferMate's achievement demonstrates the region's capacity to foster and nurture successful FinTech enterprises. It showcases the South East of Ireland as a fertile ground for innovative startups to thrive and grow into globally recognised players in the financial services industry.
- b) **Economic Impact:** The unicorn status of TransferMate brings substantial economic benefits to the South East region. It creates job opportunities, attracts investment, and contributes to the overall growth and prosperity of the local economy. The success of TransferMate serves as a catalyst for further investment and development in the region's fintech ecosystem.
- c) **International Recognition:** TransferMate's unicorn status elevates the profile of the SE FS Cluster on the global stage. It highlights the region's competitiveness and ability to compete with established FinTech hubs worldwide. This recognition attracts attention from investors, talent, and other stakeholders, further bolstering the region's reputation as a hub for financial services innovation.
- d) **Global Regulatory License Experts:** TransferMate global payment infrastructure spans across 201 Countries with 92 Licenses and 141 Currencies, enabling it to operate within legal frameworks of multiple jurisdictions and comply with financial regulations. The presence of TransferMate, a firm with expertise in global regulatory licenses, within the SE FS Cluster offers several significant benefits to other members including but not limited to:
 - Regulatory Compliance:* TransferMate's extensive experience and expertise in obtaining regulatory licenses globally enables cluster's member organisations have access to valuable mentorship insights and guidance on navigating complex regulatory landscapes.
 - Market Expansion Opportunities:* provides cluster members with a strategic advantage when expanding their operations internationally. By leveraging TransferMate's network and regulatory licenses, cluster members can potentially enter new markets with confidence, knowing that they have the necessary regulatory approvals in place to conduct business legally and efficiently.
 - Enhanced Competitiveness:* TransferMate's expertise in navigating regulatory challenges and streamlining cross-border transactions enables a mentorship program for cluster members to offer innovative financial solutions and services to their clients while remaining compliant with local regulations.
 - Knowledge Sharing and Collaboration:* TransferMate's presence within the cluster facilitates knowledge sharing and collaboration among member organisations. By sharing best practices, insights, and experiences related to regulatory compliance and

international expansion, cluster members can collectively strengthen their capabilities and competitiveness in the global market.

Overall, having a firm like TransferMate with global regulatory license expertise within the SE FS Cluster enhances the cluster's ability to support its members' growth and success in the global financial services industry. TransferMate's extensive network, regulatory knowledge, and experience provide valuable resources and opportunities for cluster members to thrive in an increasingly interconnected and regulated business environment.

2. Talent Development: Collaborative efforts between the cluster and educational institutions have led to the development of specialised programs and courses tailored to the needs of the financial services / FinTech industry. This has helped nurture a skilled workforce capable of meeting the demands of the sector, thereby attracting more businesses to the region.

Further to this, the cluster facilitates events to provide trending insights and knowledge. Hosted recently was an event focused on the use cases of AI, Blockchain, and Quantum to understand how the financial services sector can leverage these technology opportunities. The speakers included European leading researchers who shared their expertise and broke down the jargon surrounding these emerging technologies. A funds industry FinTech who benefits from the collaborative environment in the South East region was the showcase presented by CSC & Fund Recs where they have successfully collaborated to automate multiple processes in the funds industry.

The consistent backing from the South East Regional Skills Forum has offered invaluable guidance in identifying opportunities for upskilling and re-skilling, facilitating the development of workforces and talent pipelines for the sector. The presence of high-quality educational institutions in the area, such as South East Technology University, PAT FinTech and the Funds Academy, has also played a pivotal role in developing a skilled workforce for the financial services industry.

Through the SE FS Cluster HR Working Groups these institutions have listened to the needs of the industry to provide relevant courses and research opportunities, ensuring that the region has a pool of talented individuals ready to meet the industry's demands.

3. Infrastructure Improvements: Investments in infrastructure, such as technological advancements in research, at the SETU Walton Institute, and modern office spaces in multiple locations across the region, have enhanced the region's competitiveness as a Financial Services / FinTech hub. Improved connectivity and access to amenities have further facilitated business growth and expansion.

The region has seen a steady increase in the number of indigenous startups setting up operations in the South East of Ireland. Following on the success of individual firms in

establishing FinTech operations in the South East Region. These firms benefit from the cluster's strong infrastructure, access to skilled talent, and supportive business environment.

4. Innovation and Collaboration: The cluster's emphasis on fostering innovation and collaboration has encouraged the development of new products, services, and business models within the financial services / FinTech sector. By bringing together industry players, startups, and research institutions, the organisation has created a dynamic ecosystem conducive to creativity and entrepreneurship.

The REISS (Regional Enterprise Innovation Support Scheme) project is an initiative that the SE FS Cluster was awarded in 2023, resulting in grant funding from Enterprise Ireland. REISS aims to support regional development and innovation by providing funding and resources to local enterprises and organisations.

Specifically, the REISS SE FS Cluster feasibility project focuses on fostering innovation and entrepreneurship within the South East region of Ireland. Through the REISS project, the cluster aims to create programs to build a FinTech Centre of Excellence. Through the cluster regional stakeholders, such as local authorities, educational institutions, and industry experts, seek to identify and support promising ventures. This initiative helps stimulate economic growth, create employment opportunities, and enhance the competitiveness of the region's economy.

Overall, the involvement of the Ireland South East Financial Services Cluster in the REISS project demonstrates its commitment to driving innovation and supporting the growth of businesses in the Financial Services / FinTech sector.

The SE FS Cluster plays a pivotal role in driving economic development in the region by leveraging its strengths, promoting collaboration, and fostering innovation within the financial services industry. As a result, the South East of Ireland continues to emerge as a vibrant and competitive hub for financial services, funds, insurance and FinTech firms, contributing significantly to the overall prosperity of the region and indeed Ireland.

The members of the SE FS Cluster wish to draw Central Bank of Ireland's attention to the effectiveness of this cluster to promote the South East Region as a targeted hub for Financial Services, Funds, Insurance and FinTech's for promotion by Government agencies and note that the cluster actively supports the regional IDA team in attracting FDI.

The presence of renowned global FinTech and financial institutions in the cluster has created a network effect, attracted further investment, and fostered collaboration within the industry. This has led to the establishment of a vibrant ecosystem, with companies providing a range of services such as legal, accounting, and consultancy,

supporting the operations of the FinTech, financial service, insurance, and funds industry.

Today the SE FS Cluster totals over 70 members represented in the cluster map (Ref Appendix 1.), underpinned by academia, research, and government to include stakeholders Enterprise Ireland, South East Technological University, Walton Institute, IOB and Skillnet's. Enterprise companies include industry goliaths, SMEs, and startups. The cluster is enterprise-led by Cluster Champion Terry Clune, Founder and CEO of CluneTech.

Finally, we wish to thank the Innovation Strategy Team & Supervisory Risk and Horizontal Division at the Central Bank of Ireland. Especially Miriam Dunne and Eoin Fitzgerald for visiting the cluster in January when the SE FS Cluster hosted the Cluster Innovation Workshop with particular focus on addressing a collaborative review and response to this consultation.

For further information contact Catriona Murphy, Cluster Manager at Ireland South East Financial Services Cluster by emailing catriona@irelandsoutheastfscluster.com

Appendix 1 – Cluster Map

The Cluster Map displays a grid of member logos and a central map of Ireland. The map highlights the South East region in red, with sub-regions labeled: Tipperary, Carlow, Wicklow, Waterford, and Kilkenny. A callout box titled 'Cluster Membership:' lists the following entities:

- EUROPEAN CLUSTER COLLABORATION PLATFORM
- CLUSTER CENTRE

Below the main grid, a grey bar categorizes members into three groups:

- Enterprise Ireland:** SE TU, CIRDAS, Regional Skills, Sustainable Finance Ireland, South East BIG, IBAN SEBAN Syndicate, wweth, kcteb.
- Academia, Research and Government:** iob, Skillnet, Technology Ireland ICT, IFS, Skillnet, Sustainable Finance Skillsnet, National College of Ireland, PAT, KTI, Compliance Institute, arclabs, RIKON, inc, Oifig Fiontair Aitiúil Local Enterprise Office, Chambers Ireland, AMERICAN COLLEGE OF IRELAND, WALTON, CARLOW COUNTY COUNCIL, Kilkenny County Council, Comhairle Chontae Chill Chainnigh, Comhairle Contae Thíobraid Árann Tipperary County Council, Comhairle Contae Cathair & Contae Phort Láirge, Comhairle Contae Loch Garman Wexford County Council, IRELAND SOUTH EAST.
- IDA Ireland:** (Logos for various IDA Ireland entities are present but not individually labeled in this section).

Question 1: What is your feedback on the enhancements underway with the Innovation Hub? Are there other areas that should be developed?

Feedback on the enhancements underway with the CBI Innovation Hub, from the perspective of the Ireland South East Financial Services Cluster, suggests several positive impacts for cluster members:

1. **Enhanced Engagement Opportunities:** The structured engagement process outlined for the Innovation Hub submissions, along with standardised forms, will provide cluster members with clearer guidelines and streamlined communication channels with the Central Bank. This will facilitate deeper and more informed engagement with the innovative ecosystem, allowing cluster firm members to contribute effectively.
2. **Regional Engagement Initiatives:** The increased focus on regional engagements, such as regionally focused roundtables and events, is welcomed and this will benefit cluster members. These initiatives will promote Innovation Hub activities and facilitate discussions on emerging trends, fostering collaboration and knowledge sharing among local stakeholders. The SE FS Cluster is proposing to facilitate and host such events in collaboration with the Central Bank Innovation Hub team.
3. **Access to Knowledge Sharing Platforms:** The launch of a Digital Centre for knowledge sharing, including dedicated content on innovation-related FAQs, case studies, and best practices, will serve as a valuable resource for cluster members and our cluster is committed to sign posting to this platform with a dedicated page on our website linked to the platform landing page. It is cluster members expectations that this centralised platform will provide easy access to information and insights from the Central Bank and other regulatory peers, supporting cluster members' efforts to stay updated on industry developments.
4. **Opportunities for Collaboration and Support:** This is core to all our actions at SE FS Cluster and we welcome the further enhancement for opportunities to collaborate and support financial services and FinTech's. The establishment of an Innovation Sandbox Programme, aimed at providing regulatory advice and support to innovators, presents an opportunity for cluster members to engage with the Central Bank on innovative initiatives. The cluster is fully committed to supporting these actions and offers a premises to host meaningful meetings and events to develop regional Innovation Sandbox Programme presence. By participating in the Sandbox Programme, cluster members expect to receive guidance on navigating regulatory frameworks, fostering innovation, and ensuring compliance with public policy objectives.

To further support the promotion of regional-focused activities the cluster's intention is to deliver complimentary programs and event and build a FinTech Centre of Excellence in Kilkenny. The feedback our cluster offers for additional areas of development include:

1. Tailored Support for Regional Innovation: Implementing initiatives specifically designed to support FinTech innovation and entrepreneurship in the South East region, such as targeted funding opportunities, incubator programs, and mentorship networks. The Central Bank can co-organise through the cluster regular networking events, workshops, and seminars to facilitate collaboration and knowledge sharing among fintech startups, established financial institutions, and academic institutions. These events could focus on fostering partnerships, sharing best practices, and exploring potential joint ventures. The cluster strategy includes partnering with venture capital firms, angel investors, and government agencies to provide funding opportunities, grants, and financial incentives for FinTech startups in the South East region. This support could help startups secure the necessary capital to scale their operations and bring innovative products and services to market.

2. Collaborative Partnerships with Local Institutions: Strengthening partnerships with local universities, research institutions, and industry associations to facilitate knowledge exchange, skills development, and research collaborations in FinTech and related fields such as Quantum Security.

Creating incubator and accelerator programs tailored to the needs of FinTech startups hosted in the South East region. These programs could provide mentorship, resources, and access to networks of industry experts to help startups refine their business models, validate their ideas, and accelerate their growth trajectory.

Investing in research initiatives and thought leadership activities to explore emerging trends, technologies, and regulatory issues impacting the fintech industry. Through the cluster this involves collaborating with academic institutions, think tanks, and industry experts to produce white papers, reports, and insights that inform policy decisions and industry best practices.

3. Infrastructure and Resource Development: Supporting the investment in infrastructure and resources to support the growth of FinTech startups and scale-ups in the region, including co-working spaces, access to funding, and specialised training programs. Offering specialised training programs, workshops, and resources to help FinTech startups understand and navigate regulatory requirements. This could be co-created educational materials, webinars, and one-on-one consultations to address specific regulatory questions and concerns.

4. Promotion of Regional Ecosystem: Actively promoting the South East region as a vibrant hub for FinTech innovation through marketing campaigns, networking events,

and participation in industry conferences and exhibitions. Working side by side for Ireland Inc. Organising innovation competitions, hackathons, and challenges focused on FinTech solutions and applications. These events could incentivise entrepreneurs, developers, and researchers to collaborate on solving industry challenges and developing innovative solutions that address specific market needs.

5. Promoting Digital Skills Development: Partnering with educational institutions and industry stakeholders to promote digital skills development and workforce training initiatives. This could include the co-creation of new products with industry stakeholders to develop offerings including scholarships, internships, and apprenticeship programs focused on FinTech-related disciplines such as data science, cybersecurity, quantum security and financial technology.

By prioritising these areas of development and undertaking these additional activities, the Central Bank can play a proactive role in supporting the growth and development of the FinTech ecosystem in the South East region, fostering innovation, creating jobs, and driving economic growth. The Ireland South East Financial Services Cluster can further enhance its support for FinTech innovation and contribute to the growth and competitiveness of the regional ecosystem.

Proposed Action from SE FS Cluster: The cluster calls for the establishment of a co-created structured program for the Innovation Hub beyond just catering to Sandbox participants is a strategic move that can yield several benefits for the financial ecosystem:

1. Broadening Access to Resources: By extending the program to all participants, not just those involved in the Sandbox, the Innovation Hub can serve as a valuable resource hub for a wider range of innovators, including startups, incumbent firms, and academic institutions. This broad access ensures that all players in the financial ecosystem have access to essential resources, guidance, and support to foster innovation and navigate regulatory challenges.

2. Encouraging Continuous Innovation: A structured program can provide ongoing support and guidance to innovators throughout their journey, from ideation to implementation and beyond. By offering resources such as educational workshops, mentorship programs, and networking events, the Innovation Hub can create a conducive environment for continuous learning, collaboration, and innovation within the financial sector.

3. Facilitating Collaboration and Knowledge Sharing: By bringing together a diverse range of stakeholders, the Innovation Hub can serve as a platform for collaboration and knowledge sharing. Participants can exchange insights, best practices, and lessons learned, fostering a culture of collaboration and collective problem-solving. This collaborative approach can lead to the development of innovative solutions that

address common industry challenges and drive positive outcomes for consumers and the wider economy.

4. Enhancing Regulatory Understanding and Compliance: A structured program can offer participants insights into regulatory requirements, compliance obligations, and best practices. By providing educational resources, regulatory guidance, and access to regulatory experts, the Innovation Hub can help participants navigate the complex regulatory landscape effectively. This, in turn, promotes regulatory compliance, reduces regulatory uncertainty, and fosters trust and confidence in the financial ecosystem.

5. Promoting Ecosystem Growth and Resilience: By nurturing a vibrant and inclusive innovation ecosystem such as the SE FS Cluster, the Innovation Hub contributes to the overall growth and resilience of the financial sector. By supporting the development of innovative products, services, and business models, the program helps stimulate economic growth, create jobs, and drive competitiveness. Additionally, by fostering collaboration and knowledge sharing, the Innovation Hub strengthens the resilience of the ecosystem, enabling it to adapt to changing market dynamics and emerging challenges effectively.

In summary, establishing a structured program for the Innovation Hub beyond Sandbox participants is a strategic investment that can yield significant dividends for the financial ecosystem. By broadening access to resources, encouraging continuous innovation, facilitating collaboration, enhancing regulatory understanding, and promoting ecosystem growth, the program can contribute to the long-term success and sustainability of the financial sector.

Question 2: What is your feedback on the proposal to establish an Innovation Sandbox Programme? Will the proposal support the Central Bank in meeting our overall objectives, including the needs of consumers and the wider economy?

From the perspective of industry firms within the clusters the proposal to establish an Innovation Sandbox Programme offers several valuable opportunities:

1. Navigating Regulatory Ambiguity: Regulation often presents ambiguity, particularly in tech obligations. A sandbox environment could serve as a safe space for firms to test solutions and receive high-level oversight and guidance on regulatory compliance. While not providing ratification or approval, this oversight can help firms understand the direction of regulatory requirements.

2. Addressing Global Regulatory Data Challenges: Our cluster members who have sandbox participation experience shared that many sandboxes globally focus on regulatory data, including formats, tagging, and machine readability. Given the significance of data in the financial industry and the need for FinTech's and RegTech's to scale globally, inclusion of regulatory data in the sandbox would be beneficial. Working towards allowing RegTech's to access data directly from the Central Bank could further support innovation and compliance efforts.

3. Showcasing Solutions: Profiling sandbox hackathons and sprints can effectively showcase firms that meet certain standards for delivering or contributing to solutions. This recognition can incentivise firms to innovate and contribute positively to regulatory challenges within the industry.

4. Collaboration with Industry Bodies: Partnering with the cluster and industry bodies that can collate problem statements from members can help gather themes that can be collectively addressed. This collaborative approach enables firms to tackle common challenges, such as those related to payments or insurance, more effectively.

5. Supporting ESG and Information Security: As the focus on ESG and information security grows, carrying out proof of concepts with financial institutions becomes more challenging. Encouraging banks and central banks to establish their own sandboxes, similar to Tier 1 banks in the UK, can facilitate innovation. This approach is particularly relevant for multinational firms based in regional locations like the South East, where access to sandbox environments can support their innovation efforts.

Overall, the proposal to establish an Innovation Sandbox Programme aligns with the needs of industry firms within the clusters by providing a structured approach to addressing regulatory challenges, fostering innovation, and promoting collaboration within the financial services industry in Ireland. Incorporating suggestions for future

phases, such as including regulatory data and partnering with industry bodies, can further enhance the effectiveness and impact of the sandbox initiative.

Yes, the proposal to establish an Innovation Sandbox Programme is likely to support the Central Bank in meeting its overall objectives, including addressing the needs of consumers and the wider economy. Here's the feedback from the cluster workshop on how this is possible:

1. Promoting Innovation: The Sandbox Programme provides a platform for FinTech firms to test innovative products and services in a controlled environment. By encouraging experimentation and providing regulatory guidance, the Central Bank fosters a culture of innovation within the financial sector, which can lead to the development of new technologies and business models that benefit consumers and drive economic growth.

2. Ensuring Regulatory Compliance: While promoting innovation, the Sandbox Programme also ensures that firms adhere to regulatory standards. Further to this the startup culture from the initial inception forms a foundation with a focus on risk & compliance. This will shift the startup focus from day-to-day risk and compliance success to achieving long-term risk and compliance success. By providing regulatory advice and support, the Central Bank helps FinTech firms understand and navigate the regulatory landscape, reducing compliance costs and regulatory uncertainty. This fosters a more stable and transparent financial ecosystem, which ultimately benefits consumers and the wider economy.

3. Enhancing Consumer Protection: The Sandbox Programme allows the Central Bank to identify and address potential risks to consumers early in the innovation process. By closely monitoring sandbox activities and providing feedback to participating firms, the Central Bank can help ensure that new products and services meet consumer needs while also protecting their interests. This promotes trust and confidence in the financial system, which is essential for a healthy and vibrant economy.

4. Supporting Economic Growth: By fostering innovation and ensuring regulatory compliance, the Sandbox Programme contributes to economic growth and competitiveness. By providing a supportive environment for FinTech firms to develop and scale their businesses, the Central Bank helps create jobs, attract investment, and stimulate innovation-led growth in the wider economy.

The cluster community believes by providing a platform for innovation while ensuring regulatory compliance and consumer protection, the Sandbox Programme has the potential to benefit consumers, businesses, and the wider economy alike. Furthermore, compliance is embedded from the start which will emphasise a structured approach.

Q3. What is your feedback on the operating model of the Innovation Sandbox Programme?

The cluster community recognises this is phase one for the proposed Innovation Sandbox Programme Operating Model. The structured approach to fostering innovation within the financial services sector is welcomed. While the model demonstrates clear intentions to engage with innovators, provide developmental support, and enhance regulatory frameworks, there are several aspects that warrant review:

1. Thematic Approach and Call for Proposals: The use of a thematic approach and annual Call for Proposals can help focus resources and attention on key areas of innovation. However, the process of identifying themes and selecting third-party operators may lack transparency and could potentially introduce biases. There should be mechanisms in place to ensure that themes are selected based on industry needs and that third-party operators are chosen through fair and competitive processes.

2. Cohort-Based Admission: Operating the sandbox on a cohort basis can help manage resources and ensure effective oversight. However, limiting the number of applicants and imposing strict eligibility criteria may inadvertently exclude promising innovators, particularly smaller startups, or niche players. The Central Bank should strive to strike a balance between maintaining high standards and fostering inclusivity and diversity within the sandbox programme.

3. Developmental Support: The provision of developmental support, including regulatory guidance and expertise sessions, is essential for helping innovators navigate regulatory complexities. However, the model should ensure that support is tailored to the specific needs of each participant and is delivered in a timely and accessible manner. Additionally, there should be mechanisms in place to track the effectiveness of support interventions and gather feedback from participants for continuous improvement.

4. Off-boarding and Outcome Evaluation: The model's focus on providing clear guidance to participants upon completion of the programme is commendable. However, it's important to clarify that successful completion of the sandbox does not guarantee authorisation status or preferential treatment in future regulatory processes. Additionally, while the intention to share outcomes and learnings with stakeholders is positive, the Central Bank should ensure that this information is disseminated effectively and transparently to maximise its impact.

5. Cost and Funding Mechanism: Shifting the cost of the Innovation Hub and sandbox programme to industry funding aligns with the trend towards full industry funding of financial regulation. However, there should be mechanisms in place to ensure that the

funding model remains sustainable and equitable, with appropriate accountability and oversight mechanisms to prevent any potential conflicts of interest.

6. Facilitating Collaborative Innovation without Compromising Confidentiality: One of the key advantages of the sandbox environment is its potential to foster collaboration among companies without necessitating the sharing of sensitive or proprietary information. The cluster community believe this aspect is particularly crucial for fostering an environment where firms can freely exchange ideas, insights, and best practices without the fear of compromising their competitive advantage. The sandbox programme should incorporate mechanisms such as non-disclosure agreements, anonymised data sharing, or controlled access to information to facilitate collaborative innovation while safeguarding participants' confidentiality and intellectual property rights.

7. Providing Clarity on Regulatory Pathways: While the sandbox programme aims to assist firms in navigating the regulatory landscape, the cluster community believe it's essential to ensure that clear frameworks are in place to help companies understand their regulatory journey beyond the sandbox. This includes providing guidance on the steps involved in obtaining regulatory approvals, compliance requirements, and ongoing regulatory obligations. By offering clarity and transparency on regulatory pathways, the programme can empower participants to make informed decisions and effectively plan their business strategies post-sandbox. Additionally, the cluster can tailor a suite of options to provide access to regulatory experts and educational resources which can further support companies in understanding and fulfilling their regulatory responsibilities, thereby promoting regulatory compliance, and fostering trust in the financial ecosystem.

In summary, the proposed Innovation Sandbox Programme Operating Model demonstrates a commitment to fostering innovation and enhancing regulatory frameworks, there are areas that require careful consideration and refinement to ensure transparency, inclusivity, and effectiveness in achieving the overall objectives. The cluster community would welcome continuous evaluation and adaptation of the model based on feedback and outcomes for its long-term success.

Q4. Are there specific themes or areas of innovation that the Central Bank Innovation Sandbox Programme should address?

The thematic selection criteria for the Innovation Sandbox Programme should prioritise inclusivity and diversity in innovation, rather than solely focusing on the strongest and most mature ideas. An outcome of the SE FS Cluster Workshop resulted in some suggested criteria and considerations for thematic selection:

1. Innovation Potential: Assess the potential impact and novelty of each proposed idea, prioritising those with the potential to bring significant innovation to the financial services industry. This criterion allows for the exploration of new and unconventional ideas that may not be fully mature but have the potential for transformative impact.

2. Feasibility and Viability: Evaluate the feasibility and viability of implementing each idea within the sandbox environment. While maturity is important, considering the feasibility of implementing less mature ideas with the appropriate support and resources can foster a culture of experimentation and risk-taking.

3. Market Need and Consumer Benefit: Consider the market need for each proposed innovation and its potential to address specific pain points or gaps in the financial services sector. Prioritise ideas that demonstrate a clear understanding of consumer needs and offer tangible benefits to end-users.

4. Collaborative Potential: Assess the potential for incentivised collaboration and knowledge sharing among participants within each thematic area. Encourage themes that facilitate collaboration across firms of varying maturity levels, fostering a diverse ecosystem where ideas can be shared, refined, and collectively developed.

5. Capacity for Learning and Growth: Prioritise themes that offer opportunities for learning, growth, and skill development among participants. Themes should be selected based on their potential to challenge participants, encourage experimentation, and foster continuous learning and improvement.

6. Alignment with Strategic Objectives: Ensure that selected themes align with the strategic objectives of the Innovation Sandbox Programme and the broader goals of the Central Bank. Themes should contribute to the promotion of financial stability, consumer protection, and regulatory innovation, while also supporting the growth and competitiveness of the financial services industry.

By incorporating these criteria and considerations into the thematic selection process, the Innovation Sandbox Programme can create a dynamic and inclusive environment where ideas of varying maturity levels are given the opportunity to flourish, driving innovation and positive change within the financial services sector.

The Central Bank Innovation Sandbox Programme potential themes include:

- 1. Digital Payments and Transactions:** Focusing on innovations in digital payment methods, peer-to-peer transactions, mobile banking, and blockchain technology to enhance efficiency, security, and accessibility in financial transactions.
- 2. RegTech and Compliance Solutions:** Exploring technologies and solutions to streamline regulatory compliance processes, improve risk management, and enhance transparency and accountability within financial institutions.
- 3. Financial Inclusion and Accessibility:** Addressing barriers to financial access and inclusion by developing solutions to reach underserved populations, promote financial literacy, and provide affordable and accessible financial services.
- 4. Sustainable Finance and ESG Integration:** Promoting innovations that support sustainable finance practices, environmental, social, and governance (ESG) criteria integration, and responsible investing to address climate change, social inequality, and other sustainability challenges.
- 5. Open Banking and API Integration:** Encouraging innovations in open banking platforms, application programming interface (API) integration, and data sharing frameworks to foster collaboration, innovation, and competition in the financial services ecosystem.
- 6. InsurTech and Risk Management:** Exploring advancements in insurance technology (InsurTech) to improve risk assessment, underwriting processes, claims management, and customer engagement within the insurance industry.
- 7. Wealth Management and Personal Finance:** Developing solutions to empower individuals in managing their wealth, optimizing investment portfolios, and achieving financial goals through personalized financial planning tools and advisory services.
- 8. Quantum Security, Cybersecurity and Data Protection:** Enhancing cybersecurity measures and data protection protocols to safeguard sensitive financial information, prevent cyber threats, and mitigate risks associated with data breaches and cyber-attacks. Quantum Security, Cybersecurity and Data Protection could indeed serve as a highly relevant and innovative theme. This theme would focus on exploring cutting-edge quantum computing technologies and their potential applications in enhancing cybersecurity and data protection measures within the financial services industry.

Within this sandbox theme, participants could develop, and test novel quantum-resistant cryptographic algorithms, protocols, and security solutions designed to withstand the potential threat posed by quantum computing advancements. Additionally, they could explore the use of quantum key distribution (QKD) and

quantum-safe encryption techniques to secure sensitive financial data and communications channels against future quantum attacks.

Furthermore, the sandbox could facilitate the experimentation and validation of quantum-inspired cybersecurity strategies, such as quantum-enhanced machine learning algorithms for threat detection and anomaly detection, quantum-resistant authentication mechanisms, and secure multiparty computation protocols for data privacy and confidentiality.

By focusing on Quantum Security Cybersecurity and Data Protection as a sandbox theme, the Central Bank would not only foster innovation in the field of quantum computing and cybersecurity but also contribute to strengthening the resilience and readiness of the financial sector against emerging cyber threats in the quantum era.

These themes reflect key areas of interest and opportunity within the SE FS Cluster and can potentially serve as focal points for innovation and experimentation within the Central Bank's Sandbox program.

The SE FS Cluster workshop feedback to **further develop thematic selection** for the Innovation Sandbox Programme suggests co-hosting events and activities to gather insights, stimulate discussion, and engage stakeholders in the decision-making process. This will also develop a pipeline of Sandbox participants and engage firms in the Innovation Hub. Further to the Industry Roundtables, Hackathons and Ideation Challenges, Networking Events and Meetups the suggestions include:

1. Innovation Workshops: Co-host with the cluster and industry bodies workshops focused on specific thematic areas to brainstorm ideas, discuss emerging trends, and identify key challenges and opportunities. These workshops can bring together stakeholders from various sectors, including FinTech firms, academia, and consumer advocacy groups, to exchange ideas and perspectives.

2. Thematic Webinars and Panel Discussions: Organize thematic webinars and panel discussions featuring experts from the financial services industry, regulatory bodies, and other relevant sectors. These events can provide insights into emerging trends, regulatory developments, and best practices within specific thematic areas, helping to inform the selection process.

3. Industry Conferences and Expos: Participate in or organise industry conferences and expos focused on relevant thematic areas, where stakeholders can showcase innovative solutions, share knowledge, and network with peers. These events can provide valuable opportunities for exposure, learning, and collaboration.

By utilising these regional events and activities, the Innovation Sandbox Program can gather input, stimulate discussion, and collaboratively develop thematic selection

criteria that align with stakeholders' needs and priorities in the financial services ecosystem.

In conclusion, the SE FS Cluster firmly believes it is imperative to ensure the correct setup for the optimal functioning of the Innovation Hub and Sandbox program. By establishing clear thematic selection criteria, fostering collaboration and inclusivity, and providing ongoing support and guidance to participants, we can collectively create an environment that nurtures innovation, fosters regulatory compliance, and drives positive outcomes for consumers and the wider economy. Through strategic planning, stakeholder engagement, and continuous evaluation, we can unlock the full potential of the Innovation Hub and Sandbox program, driving transformative change within the financial services industry and positioning Ireland as a global leader in FinTech innovation.

In closing, we want to express our sincere gratitude to the Central Bank for their leadership in fostering innovation. Your commitment to initiatives like the Innovation Hub and Sandbox program is invaluable. We are privileged to work together with you on this journey toward a more innovative financial landscape. Thank you for your collaboration.