



Ár Straitéis

Rannpháirtíocht Phoiblí –
Na hAighneachtaí a Fuarthas



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Clár na nÁbhar

1.	Réamhrá.....	3
2.	Na hAighneachtaí a Fuarthas	4
3.	Sonraí na bhFreagraí a Fuarthas	5

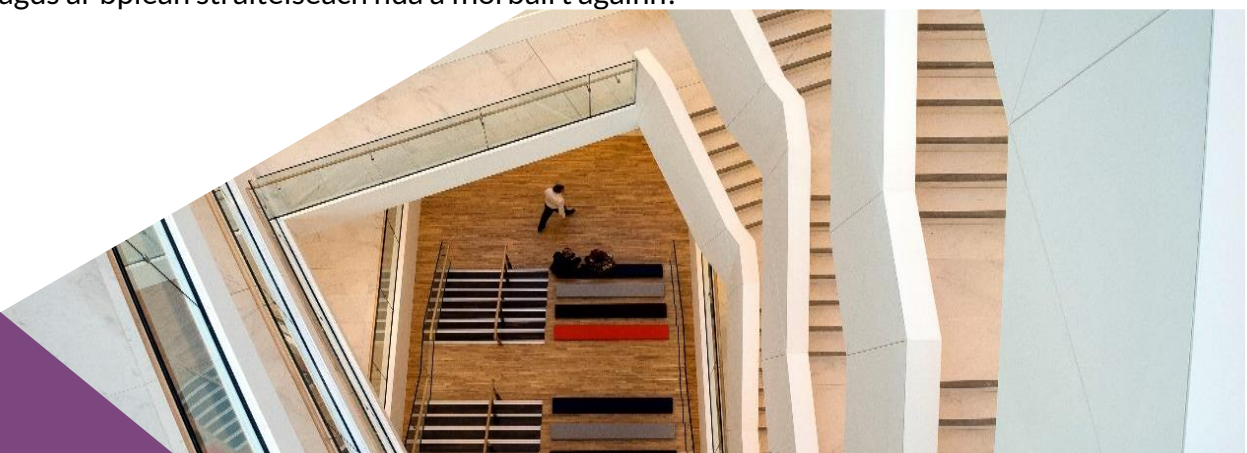
1. Réamhrá

Le linn dúinn ár Straitéis a fhorbairt, lorg Banc Ceannais na hÉireann (an Banc Ceannais) aighneachtaí ó dhaoine den phobal agus ó pháirtithe leasmhara eile chun cuidiú linn ár dtreo straitéiseach a mhúnlú don tréimhse cúig bliana atá le teacht.

Leis an rannpháirtíocht phoiblí seo, tugadh deis do dhaoine den phobal, d'eagraíochtaí tionscail agus do ghrúpaí abhcóideachta ón tsochaí shibhialta, a gcuid tuairimí a chur in iúl maidir le straitéis an Bhanc Ceannais don todhchaí. Bhí an rannpháirtíocht phoiblí le fáil ar centralbank.ie ar feadh tréimhse trí seachtaine ón 15 Aibreán go dtí an 6 Bealtaine 2021 agus rinneadh fógraíocht uirthi freisin ar ár gcainéil meán sóisialta.

Leis an rannpháirtíocht phoiblí, lorgaíodh freagraí ar na ceistanna seo a leanas:

1. Cad iad na rioscaí agus saincheistanna reatha, agus na rioscaí agus saincheistanna atá ag teacht chun cinn, ar cheart don Bhanc Ceannais breithniú a dhéanamh orthu, dar leat, agus ár bplean straitéiseach á fhorbairt againn?
2. I gcomhthéacs ár róil agus ár sainordaithe, cad iad na tosaíochtaí ba cheart a bheith ag an mBanc Ceannais, dar leat, don phlean straitéiseach nua?
3. Aon bhfuil aon cheistanna eile is ceart don Bhanc Ceannais a chur san áireamh, dar leat, agus ár bplean straitéiseach nua á fhorbairt againn?
4. I dtéarmaí ár n-oibleagáidí maidir le dualgas eárnála poiblí, an bhfuil aon saincheistanna ar leith is ceart don Bhanc Ceannais a mheas agus ár bplean straitéiseach nua á fhorbairt againn?



2. Na hAighneachtaí a Fuarthas

Mar fhreagairt ar an rannpháirtíocht phoiblí seo, fuarthas 17 n-aighneacht san iomlán ó eagraíochtaí agus ó dhaoine aonair.

Mar chuid d'fhorbairt Straitéis an Bhainc Ceannais, rinneadh na haighneachtaí go léir a fuarthas a bhailiú, a anailísiú agus a chur san áireamh sa phróiseas forbartha straitéise, agus baineadh leas astu mar bhonn eolais chun na téamaí agus spriocanna straitéiseacha a chuirtear in iúl sa Straitéis seo a aithint.

Tá an doiciméad seo á fhoilsiú chun tuiscint a chothú ar fhorbairt na Straitéise laistigh den Bhanc Ceannais agus is chun críocha eolais amháin é. Tá tuilleadh eolais maidir leis an gcaoi inar fhobraíomar ár Straitéis, agus maidir leis an doiciméad Straitéise deiridh, ar fáil ag an [nasc](#) seo.

Fuarthas freagraí ar an rannpháirtíocht ó na dreamanna seo a leanas:

- Cónaidhm Baincéireachta & Íocaíochtaí Éireann (BPFÍ)
- Bróicéirí Éireann
- Cumann Forbartha Comhar Creidmheasa (CUDA)
- Cumann Bhainisteoirí Comhar Creidmheasa (CUMA)
- Cumann Ríomh-Airgid (EMA)
- Fiontraíocht Éireann
- Árachas Éireann
- Bord Chultúr Baincéireachta na hÉireann (IBCB)
- Cónaidhm Ghnólachtaí agus Fhostóirí na hÉireann (IBEC)
- Comhlachas Thionscal Cistí na hÉireann
- Conradh na hÉireann de Chomhair Chreidmheasa (ILCU)
- An Chomhairle Náisiúnta Iomaíochais agus Táirgiúlachta (NCPC)
- Fóram Náisiúnta Maoirseoirí (NSF)
- Ceathrar Pearsana Príobháideacha

I gCuid 3 thíos, tugtar ábhar gach aighneachta ach tá faisnéis phearsanta folaithe. Tá an Banc Ceannais buíoch do gach duine a chuir a gcuid tuairimí in iúl dúinn maidir lenár Straitéis.

3. Sonraí na bhFreagraí a Fuarthas



Banking & Payments Federation Ireland

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

Climate change and the role of the financial services sector is paramount and the plan should include an outline of the CBI's vision and support for the sector in its ambitions. CBI should include identification and understanding of physical and transition climate-related risks and the likely impact of these risks on customers, the real economy and financial stability in Ireland. Enabling smooth integration of ESG- regulation so that regulated entities can manage the transposition of significant and new rules without undue disruption, cost or confusion for customers is important.

Ensuring Ireland is at the forefront of the digital transformation is vital and the role of CBI's innovation hub is important in this regard. The CBI could also consider further the regulatory and supervisory approach towards digital assets in addition to assisting the ongoing transition to e-payments and supporting all consumers on the journey. The digitalization of financial services also requires increasing focus on cyber-security and fraud, and BPFi as always committed to engaging with CBI on these areas from a collaboration, supervision, policy and practical perspective.

C-19 has demonstrated the strong and resilient position of the financial services sector in Ireland. Indeed, operational resilience is a top priority for all Members. In this regard, future regulatory and supervisory developments in this area should take account of progress shown during this unexpected and challenging time

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

Consumer Protection should remain a top priority as the country navigates the rebuilding of the economy post COVID-19. The upcoming reviews of CCMA and CPC are welcome. The interaction of the consumer agenda and obligations under GDPR for investigating and recording vulnerable customer matters should be considered further, and guidance issued, as obstacles can be experienced. In addition, all regulatory codes should be reviewed against the Assisted Decision-Making Act (ADMA) to ensure no conflict arises and consistent fair outcomes for customers. Finally, the value of the use of plain language in customer communications is of increasing importance, and the Irish Banking Culture Board is working on a set of commitments for Members which the CBI may also wish to consider.

Ensuring a level-playing field with regard to regulation and supervision vis-à-vis other countries in Europe, mindful of impact on consumers and business operations (particularly international groups). Parity of treatment for industry in Ireland vis-a-vis other countries is important, in particular with regard to capital treatment, cost of regulatory engagement, impact of extra local regulatory requirements on top of EU/global standards.

Robust supervision is central to the financial services ecosystem and in the context of ongoing changes and recent consolidation in the banking sector, additional clarity could be provided as to the roles of the ECB, the CBI and joint supervision in this new environment.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

We welcome the CBI consultation on Stakeholder Engagement and the measures to enhance the engagement with the industry. We support the statement that such forum will not seek to replace individual industry representation body or individual firm engagement. "Engaging with our key domestic stakeholders in an open and transparent way" is a key focus area and BPFi believes this could also be included in the 2022-2024 mandate given the importance of this engagement on regulated entities. One additional suggestion is in the context of the current strategy and focus on operational capability, the possible adoption of the SSM model of regulatory engagement where a distinct relationship role would be the centralized focal point of all regulatory interactions for one financial institution to ensure harmonized interaction across different units.

Skill renewal is essential for all organisations as industry trends and developments evolve and Ireland continues to be a location of choice for international market players given its emerging role as a European finance hub. Ensuring the CBI is appropriately skilled across all units is imperative, particularly in light of ongoing changes in sustainable finance and digitalization, with impact on a wide array of areas including financial supervision, risk and consumers. Equally, investment in technology is important, in particular in relation to IT and technologies that can make supervision and regulation more efficient and effective.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

BPFI and all Members strongly support and commit to working with the Central Bank of Ireland on the delivery of its mandate, in particular the essential role of ensuring Financial Stability.

Brokers Ireland

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

Unregulated Products - Brokers Ireland supports the extension of regulation for substitutable products i.e., other products on par with those that are regulated. Non-regulated products often offer greater diversity within portfolios and may be suitable, depending on their nature, to certain investors. They also tend to facilitate innovation and product development. We believe it is vital that these products should be treated the same from a regulatory perspective to protect consumers.

Level playing field - A level playing field needs to be created for the distribution of financial and insurance products. Issues such as differential pricing between the broker and direct channel needs to be addressed. It is unacceptable that broker channel customers are treated differently from direct channel customers.

Macro Prudential requirements - In relation to the Loan to Value restrictions, we believe that the 90% threshold should be extended to non-First Time Buyers. This would have a significant impact on, for example, families who have grown and are now trapped in unsuitable accommodation. The macroprudential rules mean that people in these situations must save a 20% deposit to move, which is an insurmountable amount for many whilst managing other financial commitments, unless they are in the fortuitous position of having wider family financial support. We also believe the Loan to Income (LTI) threshold should be extended from 3.5 times to 4 times the gross salary.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

Proportionality - The same legislative and regulatory requirements are frequently applied to brokers who are typically Micro/Small to Medium Enterprise (MSME), as are applied to credit institutions, MiFID firms and insurance companies. Brokers Ireland considers this approach to be unjustifiable, bearing in mind the low level of systemic and consumer risk posed by the broking sector.

Whilst the Central Bank has evaluated the insurance intermediary sector as low risk under the Probability Risk and Impact System (PRISM) and as such, proportionality should be a guiding principle in the application of regulations, codes, guidelines, and expectations for the sector. This unfortunately has not been the case - regulations are imposed irrespective of the size of the entity, or the risk it poses systemically and to consumers.

Brokers Ireland believes that this practice must change, in line with the recommendations in the Report of the SME Task Force and the 2020 Programme for Government. The SME Test and the "think small principle" must be applied whenever policymakers are reviewing or drafting regulation. The over regulation of firms is having a profound impact on competition evidenced by the lack of new entrants to the market. The authorisation/registration and PCF (Pre-approved Controlled Function) process of intermediaries is an area which clearly demonstrates the lack of the application of the PRISM framework in the sector.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

A key issue is regulation fatigue, customers are overwhelmed by the level of information and amount of documentation they are receiving. There is a real concern that important information could be lost within the vast amount of documentation. This is an issue that is acknowledged by EIOPA and we believe it is incumbent on the Central Bank to address this issue by meaningful engagement with the industry through the upcoming review of the Consumer Protection Code. Brokers Ireland believe that a balance can be reached whereby regulation is appropriate to the size nature and scale of brokerages and consumer documentation is clear and concise and seeks to inform.

Brokers Ireland have serious concerns in relation to the Central Banks increasing use of the term "expectations" in respect of what the Central Bank expects of firm's requirements. The use of this terminology was used throughout the recent outlook report, an example of which is that firms are expected to "go beyond consumer protection obligations under law and be proactive and meticulous in ensuring that they do business in a way that protects consumers and investors".

Central Bank requirements should be based on underlying regulatory or legal framework and not tenuously linked to general clauses of the Consumer Protection Code. We are concerned that some regulatory expectations overreach and are unreasonable and that regulatory expectations will become an unjust enforcement mechanism.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

A key issue is that financial sector legislation (both at EU and national level) is often developed and implemented in silos which has resulted in duplicative requirements, as well as contradictions and inconsistencies. It is important that there is a cohesive approach between regulatory bodies so differing requirements do not apply. An example of this is inconsistencies between the retention of records requirements of the CPC and requirements under GDPR.

With the move to 100% industry funding, Brokers Ireland believes that the Central Bank should recognise its duties to the industry (efficient service, confidence in products and services). In other jurisdictions such as the UK, the FCA provide active programs/guidance documents to assist regulated entities in complying with regulatory requirements.

We believe an annual independent review should take place on the Central Bank to examine the effectiveness and efficiency of existing structures and costs of the regulatory system.

Credit Union Development Association (CUDA)

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

The risks and issues in the current Central Bank [CB] plan continue to exist, however there is a growing imbalance in our society and economy. The challenges are complex and overlapping. These are accentuated as COVID frays the finances of citizens, businesses and the State. To create a fair and prosperous Ireland, and remove the boom-to-bust cycle of recent times, State policy making must adopt social and economic components. The CB should consider how it can assist Government to enable those capable to delivering socio-economic change at a local impact. Concentration in the banking market creates systemic problems for policy makers and low choice for consumers. COVID complicates matters as we witness banks rushing to exit the market or close branches to please distant financial investors. This penalises consumers, risks a savings overflow to the few remaining institutions and constrains the spending and investment essential to reignite the economy and protect jobs.

The solutions to Ireland's challenges will not be found by working within current boundaries nor by policy makers alone. The CB should consider seeking to connect with society, adopt a holistic approach and enable meaningful socio-economic change at a local level. The stated vision of the CB includes being "... *trusted by the Public, ...*", the credit unions in Ireland are clearly the most trusted financial services brand in Ireland and have earned this distinction by being on the side of their members. The CB should consider in developing their strategic plan how they can proactively approach this.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

The strategic plan, based on CB's statutory objectives, will appropriately build on the thematic and strategic priorities of the current plan. We would suggest that one additional priority should be afforded consideration, namely 'value for money'. This is intended in the context of:

- a) Consumers of financial services, who face ever reducing choice and often pay more for financial services than European average. Identifying and addressing the real reasons for such differentials is an important service to consumers.
- b) Providers of financial services from their Regulator. The banking model has been broken since the advent of ultra-low interest rate policy of Central Banks and is one of the worst performing sectors globally over the past 10 years. A priority, in consumers interest, should be to determine and communicate how the CB policies, and cost of regulations, act to facilitate or inhibit factors such as cost to serve the consumer and the absence of growth in competition.
- c) If policy and cost of regulating are not inhibiting value for consumers, is it that large market shares are a disincentive to new entrants – perhaps causing the attraction of new sources of capital for domestic borrowers being difficult to attract. Therefore, the CB should work with Government to increase utilisation of existing providers, such as credit unions who provide their own loans, savings and payments products as well as a wider range financial services to their members, who are trusted by consumers and meet regulatory obligations. For this to become a reality the credit

unions will have to modernise their thinking on some critical areas to ensure a national solution delivered locally.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

Innovation levels are relatively low and will grow. In many cases consumers are forced to adopt digital without consultation or appropriate protections. It is essential that all the protections afforded to consumers of traditional financial services are experienced by all consumers of financial services irrespective of delivery mode. This will also provide a fair and level playing field for providers.

It is our belief that credit unions can make an immediate improvement to the socio-economic fabric of Ireland with measured support from the CB. While many of the challenges faced by credit unions are commercial in nature, it is too simplistic to tell them to find commercial solutions. Particularly when one factors in that the prudential and governance boundaries in which they operate are not determined by them, but by policy makers. We propose that the CB in developing its strategic plan, factor in how it might play a supportive role and a roadmap to how that can be achieved. Consumer choice will be increased, credit union financial sustainability enhanced, and CB will engage with a counterparty that has the resources and desire to assist. Change need not increase risk towards consumer protection or many existing prudential requirements and may be implemented in a phased manner, however some changes are urgent

While not a systemic risk to the financial system in Ireland, credit unions play a vital role in their respective communities. Their unique ethos has the potential to support the reignition of the economy of Ireland and provide an ethical alternative for consumers. Longer term they can deliver the financial, social and environmental wellbeing of consumers and their communities.

This potential cannot be unleashed unless historical anomalies are removed, and credit unions are permitted to play the greater role they desire. There is little downside as credit unions are a proven counterparty, have capital resources and a growing product range with digital and personal delivery. Consumer protection need not be reduced, indeed most changes, mainly some prudential limits, will simply bring credit unions into line with banks or structures proven elsewhere. A committed and co-ordinated approach by the Regulator, and the Legislators, in collaboration with credit unions and their representatives is however essential. If policy makers are serious about meaningful socio-economic change the opportunity must best grasped, today and during the course of the CB strategic plan.

It will equally be important, as such innovation brings with it new risks and therefore capabilities, e.g. cyber security, that the CB themselves are appropriately skilled to both authorise and regulate these activities.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

It is essential that the CB, as an independent public sector body is open, transparent and accountable. This should include:

- Expression of how the CB determines what is the 'best interests of consumers'
- in recognising its independence, how it aligns or distances itself from Government policies on economic matters and the provision of financial services in Ireland and to consumers of financial services in Ireland.
- The provision of value for money [see 2 above].
- As the CB endeavours to serve both the public interest regarding consumer protection and that of safeguarding stability of the financial system to explain how it determines the balance of this dual role. Setting out clearly under what circumstances which may take precedent and why.

Credit Union Managers' Association (CUMA)

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

Business model sustainability: The cyclical challenges posed by the COVID-19 crisis are undermining income generating capacity and weighing further on already low-income levels and profitability. The challenges faced by the credit union sector are not unique. Across Europe, the banking business model is unfit for today's conditions. The Central Bank's current "control and suppress" strategy towards credit unions will not allow the more progressive credit unions to achieve commercial sustainability.

Credit risk management: Central Bank regulations make it more difficult for credit unions to address small business lending. This unequal application of regulation must be addressed.

Capital Strength: The over-simplified blanket and over-costly application of capital requirements on credit unions is forcing credit unions out of the savings market for local communities. Formulaic capital impositions by the Registrar of Credit Unions is closing off this vital service for members and their communities. This is a withdrawal of service from consumers and conflicts with the Central Bank's Consumer Protection mandate.

Governance: The pandemic has highlighted a number of pre-existing vulnerabilities in governance frameworks. Sufficient proactivity is required in control functions to adapt to the crisis environment, to identify, monitor and manage risks, as well as a need for better integration of risk appetite frameworks.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

New normal, new challenges: The Central Bank need to not just adapt to changing conditions, but anticipate the shifts ahead and how they ae going to change the playing field for monetary policy and financial stability and how to balance the eventual unwinding of monetary stimulus with the need to sustain growth and reduce the risks of market instability that could follow.

Monetary and financial stability: The current low-to-negative interest rate imposition will ultimately force a contraction in the lending market and will ultimately lead to the further withdrawal of conventional lending and banking institutions.

Strengthening influence and legitimacy: The Central Bank needs to exercise its very considerable power with more responsibility. It is, in practice, hostile to debate, particularly in the area of a capital requirements that is forcing withdrawal or limitation of savings services to members.

Media-savvy: Communication has become as important as financial monitoring and management to effective Central Bank operations. If done well, communication can strengthen understanding of central bank objectives, help shape mood and provide reassurance.

Strengthening risk management: The Central Bank needs to review past and recent actions in relation to financial institutions, including credit unions, and adopt a practice of prompt corrective action. Its record in this area is very poor, leading to significant waste of member funds.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

Pre public consultation involvement with key stakeholders is critical. This debate would inform regulators of needs, concerns and feedback before they discharge their respective responsibilities on an independent basis. This would contribute to a more focused public consultation process.

Change is not solely a legislative matter as the boundaries governing the credit union business model are primarily determined in the extensive range of regulations, in particular those introduced since the enactment of the CUCORA '12 granting the Central Bank powers to define them.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

At the time of writing the effects of COVID appear set to impact the economy, state and member finances, and the financial markets for some time.

Credit unions provide a safe haven to those excluded by mainstream finance, exploited by money lenders and savers seeking a local home for their savings. As banks now exit the market and close branches to please distant financial investors and to resolve the high cost of capital in Ireland, credit unions' ability to deliver local, flexible support matters more than ever.

Across Europe ultra-low interest rates have destroyed the net interest income model of many financial services businesses. COVID has exacerbated these challenges, to the extent banks now exit the market and close branches, in turn risking a large savings inflow to credit unions.

As consumers, businesses, social and public sector borrowers seek more choice and ethical financial services, they need to re-engage with concepts such as "trust" and "ethos" supported by a modern business model and expanding product range. Whilst policy makers have defined mandates at national and EU levels, the best outcomes will be achieved if financial institutions legislators and regulators work together. Listening to the financial institutions is critical. This listening mode needs to be evident in the culture of the Central Bank of Ireland.



Electronic Money Association

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7 May 2021

Dear Gabriel

Re: EMA submission to the Central Bank of Ireland on the Strategic Plan 2022 – 2025

Thank you for the invitation to submit our views on the Central Bank of Ireland's Strategic Plan 2022 – 2024. We are very grateful for the opportunity to contribute towards the CBI's process for future planning and prioritisation setting.

The EMA is the EU trade body representing electronic money issuers and alternative payment service providers. Our members include leading payments and e-commerce businesses worldwide, providing online payments, card-based products, electronic vouchers, cryptocurrencies, open banking, and mobile payment instruments. Most members operate across the EU, most frequently on a cross-border basis, and a large number (around 25% of our 87 members) have obtained – or are applying for - licences to operate from the Central Bank of Ireland. A list of current EMA members is provided at the end of this document.

I would be grateful for your consideration of our suggestions.

Yours sincerely,

A handwritten signature in black ink that reads 'Thaer Sabri'. The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Dr Thaer Sabri
Chief Executive Officer
Electronic Money Association

EMA response

Q1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

We have set out our response to this question in two parts: firstly the emerging risks and issues that the CBI should consider in general, and secondly the emerging risks and issues that should be considered specifically in the context of the payments services and e-money sectors.

i) Broad risks/issues:

(a) Financial stability; the long-term impact of the COVID 19 pandemic on financial stability is as yet unknown, and is likely to lead to numerous knock-on effects on consumers and businesses, not only in Ireland but at a wider EU/global scale. Addressing the risks related to this development should shape the CBI's priorities for the next few years.

(b) Consumer protection; a long-standing priority of the CBI, maintaining a positive consumer focused culture within regulated firms will be all the more important in the coming years, as consumers and businesses alike take action to recover from the impact of the COVID 19 pandemic. In particular the risk of financial service providers exiting the Irish market should be addressed, and appropriate run-off regimes agreed and applied in order to provide protection for consumers and their investments.

(c) Growth of the Fintech sector, and in particular non-bank providers of traditional financial services – please see below a number of emerging risks and issues related to the growth of the Fintech sector in Ireland.

ii) Payments/E-money risks/issues:

(a) Ongoing challenge of managing the changes brought about by Brexit: although the transition period ended on 31 December 2020, the impact of Brexit continues to be felt in the payment services/e-money sector. The number of firms applying for a licence with the CBI to offer payments, e-money or crypto asset services continues to increase, and existing applications will continue to require ongoing and substantial CBI resources. Not appointing sufficient resource to this process may have a reputational impact on the CBI over time.

(b) Growth in volume of PSPs authorised in Ireland; the risks associated with supervising a varied, complex and growing sector may be very different from those identified and associated with the traditional banking or payments sector in Ireland. The CBI will need to ensure both that there are enough resources in terms of staff numbers, and that those staff have appropriate levels of expertise and understanding of these entities in order to identify, quantify, and manage any new risks, or familiar risks in new forms.

(c) Competition issues; as more fintechs enter the marketplace, competition with the traditional banking/payments sector may increase, leading to anti-competitive reactions. Activities that may have been acceptable in the past may no longer be accepted by non-traditional players. For example the Synch JV project proposes to introduce a new instant payments solution in Ireland, but without the use of SEPA Instant, which is used by the

majority of PSPs operating across the EEA, and creates a barrier for firms wishing to enter the Irish market. Another area where competition issues arise is in the provision of banking or payment accounts for non-bank PSPs. The CBI will need to play a facilitation role, promoting dialogue and cooperation within the sector.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

i) Broad priorities:

(a) Enhanced engagement and dialogue within the CBI, and externally with the regulated sector: we welcome the CBI's ongoing CP 136 on enhancing engagement with stakeholders, and consider this should continue to be an overall priority for the CBI. In particular, we would welcome the inclusion of the payments, e-money, and crypto sector at any formal CBI industry dialogue opportunities. We support a more formalised engagement with the e-money and payments sectors in particular. We also encourage greater cross-departmental engagement/sharing of information; firms find they must repeatedly present their business models and products to different teams post-authorisation.

(b) Enhanced CBI Capability: as the payments and e-money sector increases in size, and variety of business model/product type, it will be important to ensure CBI staff have the appropriate understanding and experience to be able to identify and mitigate the risks arising through the growth of this sector.

(c) Encouraging innovation within financial services sector: we would welcome further support for innovation in the financial services sector. Brexit has offered the CBI a unique opportunity to welcome a large number of international firms, and encouraging innovation and entrepreneurship will continue to ensure Ireland remains an attractive home for these firms as well as many others. We welcome the setting up of the Innovation Hub, and suggest that the CBI consider other measures that can be taken to reduce barriers to business for smaller Fintech startups. For example the Innovation Hub could offer a forum for discussion regarding the interpretation of regulatory requirements, thus increasing consistency and transparency of approach by the CBI, and a common understanding with the regulated sector at the same time. The CBI may also wish to consider opening up the strategy-setting process for the Innovation Hub to market participants in order to ensure that issues that are of most importance for start-ups are addressed.

(d) Review of the Fitness & Probity approval process and regime; a common theme from firms in the regulated sector are issues associated with the F&P approval process. This includes:

- The hiring of new staff, who have to wait for lengthy F&P process to complete before they can take on their responsibilities. This results in a great deal of uncertainty for both the role-holder and the firm. A new methodology for F&P pre-approval of PCF roles would greatly improve this situation.
- The challenge of identifying individuals with the appropriate skill-set based in Ireland. Firms seek recognition that some individuals will build their experience in the role over time.

- An inconsistent approach towards expected competencies and capabilities of role-holders, and towards communication with the firm.

(e) Learnings from Covid 19: firms' experience adjusting their operations and working practices to allow individuals to work remotely offers the CBI an opportunity to reconsider CBI policy around the location of staff. We would welcome a review of the risks to the core objectives of the CBI that working remotely does (or does not) pose, and a reconsideration of the policy of requiring staff to be present in Ireland.

(f) Transparency and clarity around supervisory expectations and published data: we welcome the publication of various forms of Guidance over the last year or so, as well as the regular dialogue with the regulated sector that the CBI has engaged in. Firms would also welcome more transparency around, for example:

- supervisory plans e.g. any themed inspection plans so firms can plan proactively.
- the annual agenda for reporting requirements, as well as publication of the aggregate statistics collected from firms. This could include the quarterly financial data submitted by EMLs and PIs, as well as payment fraud and volume data. This can help firms understand their relative exposure to certain types of risk, and thus take steps to manage this risk.
- Complaint resolution: further detail around the data published in relation to complaints, such as how many complaints remained outstanding or were resolved over determined periods of time; and any action taken by the CBI to address complaint resolution efforts. This will help firms improve their complaints handling processes.
- Applications for Authorisation being Withdrawn or Dormant: for example any rationale behind the numbers, what "dormant" means, a breakdown showing which markets are most affected, what percentage of Withdrawals were initiated by the Central Bank, and how many dormant applications resume at a later stage.

ii) Payments/E-money priorities:

(a) Open banking – ensuring an active and vibrant ecosystem is able to develop. PSD2 introduced an opportunity for a whole sector of new PSPs to innovate and grow. However, the success of Open Banking in Ireland will be dependent in large part on the role of the CBI. A successful open banking ecosystem will require effective supervision of banks' APIs, including sanctions where necessary, and an improved communication mechanism/channel between TPPs & the CBI on technical issues.

(b) Retail payments – migration to SEPA instant and ensuring clearing and settlement over the weekend; this will ensure interoperability across the EU, and will support a variety of innovative payment solutions in Ireland, benefiting consumers and Fintech alike.

(c) Crypto regime – developing a regulatory regime that is fit for purpose.

(d) Ensuring sufficient resource in the payments/e-money authorisation and supervision departments, including in relation to the F&P approval process, in order to deal with the increased number of authorisations, variations of permission, activities and operations, F&P

applications and day-to-day supervisory engagements. As Ireland becomes the jurisdiction of choice for many firms entering the EU, it is important that the process can adjust accordingly, with sufficient resource, and efficiencies introduced where possible.

This is particularly important as the electronic money and payment industry develops and evolves rapidly, and firms compete on their ability to provide new products and services to their customers, and to adapt to new trends and developments in a timely manner. In this regard, it is important that firms regulated in Ireland can remain agile in order to compete effectively with those regulated elsewhere in Europe, and this requires a responsive regulator.

(e) Access to bank accounts/de-risking: this is an increasingly acute challenge for EMIs, PIs and crypto asset issuers and exchanges, not only in the EU, but globally. The challenge with the Irish banking sector remains, and is one of the main barriers to business for many firms in the EMI and PI sectors. The CBI should play a role understanding banks' risk appetites, and pre-empting any steps to de-risk the EMI/PI/crypto sectors.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

As mentioned in response to Q2, we strongly encourage the CBI to engage with the e-money and payments sectors, and in particular with industry representative bodies as well.

Changes to taxation rules: the international spotlight currently focused on the offering of advantageous corporate tax rates may eventually result in an adjustment to the corporate tax regime in Ireland. If these changes reduce its attractiveness as jurisdiction of choice to enter the EU market, it will be all the more important that the CBI process and engagement with new firms continues to attract new firms to the Irish market.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

No comment.

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Submission into the Central Bank of Ireland's Strategic Plan 2022-2024

Enterprise Ireland

16th of May 2021

Dear Sir / Madam,

I refer to your letter to Ms Julie Sinnamon dated 21st of April 2021 inviting Enterprise Ireland to make a contribution into the Central Bank of Ireland's Strategic Plan 2022 -2024.

Bank lending is the most common source of external finance for many SMEs and entrepreneurs. This source of funding is required to support business to start, scale and succeed in international markets. As companies continue to deal with the impact of Covid-19 on their business, access to affordable liquidity support is essential in order to ensure that vulnerable businesses, and particularly small and medium enterprises (SMEs), can survive and recover from Covid-19 related disruption to their operations.

Enterprise Ireland has identified four key areas of strategic importance to input into the planning process for the Central Bank of Ireland's Strategic Plan 2022 -2024. Enterprise Ireland asks the Central Bank of Ireland to give due consideration to these matters in order to support a regulated and trusted lending market in Ireland, where lending is driven by a vision for a vibrant business ecosystem where business is supported to invest in growth and innovation. These areas are:

- The cost and availability of capital;
- The extent to which Ireland is leading the way in adopting new legislation/guidelines for new financial instruments;
- The Central Bank of Ireland's future role working with innovation led companies; and
- The interpretation of regulations by lenders.

These areas are further explained below.

1. Cost and Availability of Capital

Competitiveness

- Nationally we have seen the exit of two key lenders in the Irish market. This has reduced competition in the market nationally and affected Ireland's relative competitiveness internationally. The high cost of credit and the range of products in the marketplace are more limited than what is available in other markets, particularly for longer term capital. Irish companies should not have to bear higher costs than their competitors in other Eurozone markets. If this is left unaddressed, it will ultimately reduce Ireland's competitiveness as a place to do business.
- Enterprise Ireland would like to highlight that whilst the extension of SBCI products to non-bank lenders and Credit Unions has helped some businesses and micro companies, these providers in the main do not replace the importance of having affordable bank support for Enterprise Ireland supported companies, who tend to be larger entities, driving exports and with larger workforces.

Ability to access services outside of Ireland

- At present an Irish company cannot access a lender in another European Single Market jurisdiction to compete under the same terms and conditions as companies in those markets. If Irish companies had equal access to secure financial products and facilities, it would address the concerns which have arisen regarding the cost differentiation that exists between Ireland and its international competitors.
- Driven by digitalisation, the barriers to accessing services outside of Ireland are decreasing. While Ireland does not have the critical mass to support a highly competitive market, access to non-Irish lenders, including peer to peer lenders, would help to address that inbuilt lack of competitiveness.

Relationship between lenders and SMEs

- With regards to accessing credit, many SMEs have legacy positions going back to the last financial crisis or are within sectors deemed to be vulnerable to external and systemic threats, regardless of being advantageous economically in terms of jobs supported and exports.

In the administration of the *Sustaining Enterprise Fund* by Enterprise Ireland, the agency can attest that a large proportion of trading businesses in Ireland that are fundamentally viable, are afflicted

with a credit history that impacts lending decisions to this day. This grouping of companies will now be increased by those similarly impacted by COVID-19 and Brexit. The reality of this for these companies is that they will struggle to move between lenders and suffer from an inability to raise fresh capital, even in an environment where the State has provided guaranteed products.

2. Adopting new legislation/guidelines for new financial instruments

Regulation of non-Bank providers in the Irish market (including Crowdfunding, Fintech models etc):

- In response to the reduction in lenders in the Irish market and innovations driven by the fintech sector, consideration should be given to establishing a regulatory framework to encourage new entrants into the market. The pace of change driven by Fintech companies suggests that Ireland is at risk of falling behind other markets. This would be a distinct disadvantage to Irish SMEs competing globally. Enterprise Ireland asks the Central Bank of Ireland to review the feasibility of widening its regulated market to reflect new funds/providers/instruments providing liquidity to Irish SMEs.

Relationship between lenders and SMEs

- New lenders into the Irish market, with newer types of funding models, can potentially replace damaged banking relationships or provide additional funding. Providers of asset finance/invoice discounting etc have increased. A framework which encourages such parties to work together (e.g. when an existing provider no longer wishes to support a company) would be a constructive addition to the market. Enterprise Ireland asks the Central Bank of Ireland to review the establishment of such a framework.

3. The Central Bank of Ireland's future role working with innovation led companies

Collaboration with innovation led companies

- In September 2020 the European Commission adopted the *Digital Finance Strategy*. This strategy seeks to balance financial stability and consumer protection, while fostering greater competition across the EU by giving consumers access to innovative and technology based financial products. Innovation is key to delivering on this strategy. These changes present opportunity for existing

Irish companies who can supply new technologies to meet new demand and new flows of Fintech start-ups that can provide enabling technologies and solutions.

Building on the Central Bank of Ireland's Innovation Hub, Enterprise Ireland asks that consideration is given to collaboration with innovative technology companies seeking to test, prototype and scale new ideas and innovative products, services, and business models that would enhance consumer protection and ensure regulatory compliance over the long term.

4. The interpretation of regulations by lenders

Clarity on Moratoriums

- Different banks apply different approaches to moratoriums. Enterprise Ireland asks that the Central Bank provides guidance to the market and banks on how to support companies through temporary capital moratoriums where the moratorium is to give companies some cashflow flexibility or incentivise fresh capital from other sources (such as Enterprise Ireland or private investors) without damaging credit ratings/capacity to access debt in future. In addition, guidance to the market from the Central Bank of Ireland as to what would be an appropriate rule of thumb for normal debt service to make good on a previous event of default should be provided.

Review of Personal Guarantees (PGs)

- Enterprise Ireland has seen numerous instances of directors of SMEs being required to give PGs and undertakings to banks. These PGs seem to be routinely sought even where the company has sufficient historic financial performance to confirm the strength of the business. Banks' detailed diligence processes should be sufficient comfort for a loan decision. Undoubtedly where a loan has a particularly high risk, and the shareholders have evident abundant net wealth, there may be cases for such undertakings. However for the average business owner it is a source of great additional concern.

Enterprise Ireland asks the Central Bank of Ireland to review whether PGs, and such undertakings, should be the exception not the rule. Where no value is estimated, Enterprise Ireland would like to see this practice eliminated for small Irish businesses.

Review the capacity for banks to reschedule a company's loans

- Where a company has accessed a number of loans in the past, with a range of maturity dates, the system should allow banks the flexibility to reschedule these loans into one/two new consolidated facilities. Enterprise Ireland is seeing many cases of companies that have taken out, say 3-year loans (typically Brexit related) in 2018/9 and as a result of COVID they are not in a position to repay these facilities as per original schedule, but could comfortably do so over a slightly amended period.

Leaving aside long-term mortgage type debt, if a company has a number of loans maturing over short-to-medium terms, it would greatly support them if their bank could restructure these into one or two more manageable medium term facilities (excluding cases where the company is clearly no longer viable), reflecting the impact of the current Covid-19 disruption, without it having a negative credit score impact on the company in situations where under a gradual return to normal trading conditions, the company can comfortably repay its debt obligations.

Enterprise Ireland asks the Central Bank of Ireland to consider the provision of flexibility by the banks to reschedule and consolidate existing debt without damage to the SME's credit rating, or penal costs/security requirements in relation to the new facility, on the basis that the SME is able to service its existing debt within a reasonable medium term.

Enterprise Ireland would like to thank the Central Bank of Ireland for the invitation to input into this strategic planning process to highlight the issues around Ireland's competitiveness as a location to do business and how this impacts an SMEs ability to obtain credit. Enterprise Ireland is available to discuss any of the points raised above if you wish to contact us.

Yours Sincerely,

Paula Maguire

Manager of Policy, Planning, Government Relations and Data Protection

Enterprise Ireland

Insurance Ireland

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

One of the key risks for the insurance sector is the viability of Ireland as an insurance hub for both international and domestic investment. This can lead to an impact on the availability of cover and delivery of innovative products and services for consumers. Regulation provides a benefit for consumers and financial services firms however it must be effective and proportionate to the risk posed and not act as a barrier for domestic and international financial services firms.

The CBI should set a strong strategic focus on the regulatory and supervisory convergence with the EU regulatory/supervisory framework on financial regulation. National divergence (gold-plating as well as an arbitrary application of regulation) harm businesses and customers across the single market. Consistent and convergent regulation and supervision ensures that Irish financial services providers can compete across the single market. Brexit and competition with the UK requires strengthening of the role of Ireland in the EU and the EU for Ireland.

To reduce the risk of regulatory overlap, it is vital that regulatory and supervisory requirements introduced by the CBI do not conflict with regulation and legislation introduced by other bodies and vice versa such as CCPC, The Pensions Authority and DPC. We note the MoU that exists between CCPC & CBI and suggest that a similar clear MoU should be in place with DPC and TPA.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

For the next strategic plan, the CBI's mandate in the regulatory/supervisory role should focus on the increasing impact of its regulation and supervision as well as facilitating consistency with EU supervision.

Insurance Ireland believes that similar to the established practice in other jurisdictions and similar to Irish parliamentary practice, a regulatory impact assessment should be conducted by the Central Bank of Ireland. This should include a clear statement of the regulatory gap to be addressed, rigorous cost-benefit-analysis, consumer testing/research and post-implementation reviews. This will strengthen better regulation standards within the CBI's regulatory activity. The European Commission impact assessments are a good example of this.

The regulatory burden and potential confusion involved for new market entrants, particularly for tech start-ups or digital providers, can be complex. We suggest that the CBI expand on the existing innovation hub to act as a regulatory/supervisory hub for new these market entrants to ensure consistency and guidance for authorisation processes, supporting these firms from initial contact through to completed authorisation. This could also be utilised for international applicants and domestic insurers, hence making it straightforward to understand and meet regulatory standards from the outset and strengthening the stability and resilience of the financial market.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

While there is a clear focus on culture and demonstration of fair consumer outcomes within financial services firms, there is a lack of corresponding clarity on the supervisory expectations of what looks good and what is poor practice. The framework upon which firms will be assessed against is unclear and requires ongoing communication from the CBI. In addition, rather than issuing more and more guidance around rules, the CBI should focus on issuing examples of real-life good and poor practice that it encounters in supervisory activity.

There should also be clarity on the decisions and sanctions process that can be imposed on individuals who are found to be in breach of their F&P obligations. Similar regimes in other jurisdictions have done so – see the Decisions and Sanctions Manual (DEPP) under FCA in UK. While the CBI is an independent regulator, having a clear manual will help demonstrate accountability in its interactions with financial firms.

Diversity and Inclusion remains one of the focus areas. The CBI took action to strengthen D&I in its own organisation and across the industries which it supervises. In addition to the clear definition of supervisory expectations, we believe that the identification of best practices, a broadening of the focus of D&I beyond gender and a general view to organisational sustainability might be interesting areas to investigate for the next strategic plan.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

In order to strengthen D&I across the industries and within the CBI, it will be important to review and adjust PCF application and approval processes.

Further, we believe that measures which award awareness, training and preparedness for the aims and policies driving these factors need to be developed. An example is the acknowledgment of trainings with CPD credits.

Irish Banking Culture Board (IBCB)

We would like to invite your comments on **any or all** of the following areas:

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

Given the Central Bank's role in serving the public interest by safeguarding monetary and financial stability and by working to ensure that the financial system operates in the best interests of consumers and the wider economy, the recent announcements, resulting changes and industry/technology developments are risks and issues which could be considered in the development of the Central Bank's next strategic plan.

The Irish Banking Culture Board (IBCB) believes that these risks and issues include the following:

- Ensuring that there is a level competitive playing field for all institutions, including existing banks, new entrants into the market, non-bank financial service providers, and fintech companies is an important issue for the financial system in Ireland.
- The digitisation of banking is fundamentally changing banking, which is positive for many consumers, but creates an increased risk of financial exclusion and a potential increased risk of fraud or financial abuse.
- The increased use of Artificial Intelligence is becoming more prevalent, both in banks' decision-making and in use of "chat bots" in customer service. There is a risk that AI may lead to outcomes that do not take account of customer circumstances or could lead to biased decision-making. Therefore, ensuring appropriate customer outcomes may be a consideration as AI is used more frequently in banking.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

Recent announcements regarding changes in the competitive landscape and the footprint of banks have brought the question of the future of banking in Ireland to the forefront. The IBCB believes a discussion on the future of banking is an important priority for the CBI, institutions, and stakeholders to discuss issues openly and constructively. This should include raising public awareness on differences in banking in Ireland vs. other European countries (e.g., capital rules, recourse to underlying assets), the societal role of banks and the financial system. Ensuring that consumers experience a smooth transition of services, have clarity on their rights, are not excluded from banking and that there is no loss of service through loss of experience is also important. We believe this is a priority and will help to restore confidence and trust in banking. The IBCB would appreciate the opportunity to participate in this discussion.

The IBCB believes that the finalisation of the Tracker Mortgage Examination is important to resolve and remediate any remaining issues to enable consumers and the industry to look to the future. A key priority arising from this will be the implementation of the Senior Executive Accountability Regime. Our research highlights views that ensuring banks act with the highest ethical standards and demonstrate individual accountability is critical to restoration of trust and the IBCB and our member banks strongly support the introduction of SEAR.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

A key focus for the IBCB is support for customers in a vulnerable position. The implementation of the Assisted Decision-Making Act (2015) is a welcome step for consumers and banks, supporting consumers who experience vulnerability. As the ADMA is amended and implemented, with an additional code of practice for financial services professionals, it would be helpful to identify opportunities to align this new code with existing consumer protection codes, in particular as the Consumer Protection Code (2012) is updated, which would provide clarity and transparency to consumers, advocates, and banks. We believe this implementation is important to promote equality and protect the rights of consumers.

Our research highlighted the public's views that banks have a key role as socially responsible organisations. We understand the CBI has taken a leadership role in taking action on climate change and in the oversight of governance changes to ensure institutions manage their businesses sustainably. Sustainability is of increasing importance and the IBCB believes it merits consideration in the CBI's next strategic plan.

The CBI's 2018 report on Behaviour and Culture of the Irish Retail Banks provided detailed insight into patterns of behaviours and culture. We understand supervision of behaviour and culture of firms is a consumer protection priority. We believe it would be helpful to understand how this area will be reviewed again, including the approach and methodology to be used.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

Financial inclusion is a key theme which is consistently reported in IBCB research undertaken. Access to financial services, particularly for those who may experience vulnerability or may find digital services difficult to access or use, is frequently raised as an issue, which impacts on equality of opportunity and treatment for consumers.

Ensuring that consumers have a choice of service channel (face-to-face, phone, online or digital channels) is an important issue. As banking increasingly moves towards digital channels, there is a risk that a section of Irish society will be excluded from banking services. Ireland is one of the top-ranking countries in the EU regarding integration of digital technologies. At the same time, recent research shows that roughly one in five of the Irish population do not use online banking.

As we move towards a cashless society, noting the increase in electronic payments and contactless payments, which have been accelerated through the Covid-19 pandemic, the IBCB believes it is important that provision is made to support consumers who may be more reliant on cash, to ensure consumers in potentially vulnerable positions are not further excluded from financial services.

As noted previously, enhanced supports for customers in a vulnerable position through revised legislation and regulation are important to promote financial inclusion and provide adequate support and protection for consumers.

Irish Business and Employers Confederation (IBEC)

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

- Impact of Covid-19 and Brexit on our economy and employment.
- Increasing globalisation and complexity, and requirement for safe, effective operations. The current consultation on Operational Resilience (CP140) is addressing this, and should remain a focus of the Central Bank, as should cybersecurity and the implementation of the Digital Operational Resilience Act (DORA).
- Competition and choice in the market which ultimately benefits the consumer. While the Central Bank is not responsible for attracting competition to the sector per se, international pressure on financial institutions operating in Ireland who compete for investment and resources within their groups as well as for talent and position versus peer institutions within Ireland is important. Consideration therefore needs to be given to the impact on the competitive landscape when developing strategy.
- Enhanced working from home, and ensuring strategies are in place to support the developments associated with this, including likely higher degree of regionalisation, while maintaining required degree of supervision and culture which is supported by collaborative in person working. Caution is needed in supporting one ideal over the other – a balance is required. Again, international competitive landscape should be considered.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

Contribution to vibrant and competitive retail banking and insurance landscape, with innovation and choice for consumers. Recent announcements are negative news for consumers, and CBI may consider how regulatory policy could impact such decision positively or negatively.

- The Central Bank should continue to work collaboratively with European Supervisory Authorities and other European Regulators to ensure a consistent and harmonised regulatory environment, ensuring that Irish financial services can fairly compete in a European market.
- Facilitate an environment that promotes timely innovation in Financial Services.
- Consider more overt recognition of the positives of a strong financial industry, and how CBI could best recognise this in communications, without depleting its role as an independent regulator. Acknowledge the importance of the sector as a provider of high-quality contributor to employment, including regionally, and to tax revenues. Recognise positive regulatory outcomes by firms as publicly as poor performance – set the standard in a positive manner.
- Open engagement on delivery of SEAR, ensuring that both accountability is in place but also that those potential candidates who meet the standards required by the Fitness & Probity regime continue to be attracted to regulated roles in financial services, with reasonable confidence that the regime will recognise their reasonable steps to do the right thing should an adverse event occur.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

- Ethos of open and transparent communication, as envisaged under the consultation on Enhancing the Central Bank's Engagement with Stakeholders (CP136). Firms wish to meet standards and expectations, and welcome open engagement.
- The Central Bank should consider what might be appropriate sources of feedback and international benchmarking to inform its work.
- Use communication to give regulated institutions confidence re transparent discussion on a wide range of issues, such as increased transparency on findings and items which have been subject to debate – both positive and negative.
- Develop a process to enable greater insight into consultation papers and Dear CEO letters, so that firms have opportunity to learn, understand and enhance responsibility to respond.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

- Enhance transparency re the Central Bank expectations / process for new institutional entrants to the market. For example can a restricted authorisation be granted to a firm that has reached a certain milestone in the application process. Consider if greater clarity can be given over the duration of the PCF approval process as part of a clear and transparent framework.
- The availability of Senior Regulatory representatives to engage with International Financial Services about the CBI approach to regulation remains key.
- Seek investment to deliver the skillsets and seniority that the Central Bank will require to meet demands of greater variation in types of operation associated with new firms entering in the market in Ireland.
- Continue to invest in analysis and commentary which is unique to CBI and valued by the economy.



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Central Bank of Ireland
PO Box 556
Dublin 1

6th May 2021

Dear Sir/Madam,

Strategic Plan 2022-2024 Public Engagement

We welcome the opportunity to comment on the Central Banks Strategic Plan 2022-2024.

Irish Funds is the representative body of the international funds and asset management community in Ireland, representing fund managers, custodian banks, administrators, transfer agents, professional advisory firms and other specialist firms involved in the international fund services industry in Ireland.

Ireland is a leading centre for the domiciliation, management and administration of collective investment vehicles, with industry companies providing services to collective investment vehicles with assets totaling in excess of €5.3 trillion. The funds and asset management industry is highly regulated and the ability to provide a well-regulated environment for investment funds and investment fund services is a substantial and proven part of Ireland's international financial services offering. Our industry has been a consistent and growing part of the internationally traded financial services landscape in Ireland for over thirty years.

We have set out below our response to each of the questions/areas where feedback was invited.

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

The context in which the next strategic plan is developed is markedly different than in 2019-2021. The risks are different and should underpin how the Central Bank ("CBI") constructs its plan. This context suggests the following key risks:

- Economic Recovery
 - The CBI's price and financial stability objectives will resonate with citizens and businesses provided that sustained and broad-based economic growth is the backdrop. Recovery, retention and growth of commercial activity will fuel improved household, corporate and government financial well-being which are inter-dependent on each other. Keeping this risk at the forefront

of the CBI's approach is directly supportive of the second part its mission "...by working to ensure that the financial system operates in the best interests of consumers and the wider economy".

- This recovery in activity is being undertaken in every country around the world and it will be both cooperative and competitive in nature. The CBI's Strategic Plan must incorporate national economic competitiveness as both a risk and priority. Without competitiveness the economy will lack key attributes to deliver stability.
- An open economy orientation
 - Open strategic autonomy, which is more frequently referred to in EU policy and political circles, is important for Ireland.
 - An orientation towards openness, which has served citizens well, is also reflective of the nature of our economy and our best opportunity for future prosperity.
 - The CBI, as an interlocutor in regulatory and policy discussions within the EU and in its role as a servant of the wider public interest at home has a key role in managing and mitigating the risk of a more protectionist, inward facing stance.
 - This is consistent with Ireland's responsibilities and role in supporting European saving and investment.
- Activating and engaging the population towards financial services
 - Recovery will only occur if private capital can be activated quickly and efficiently to support investment, drive innovation and build climate sensitive enterprises. Barriers and impediments to this pose risks which the CBI's strategic plan must be sensitive to.
 - There is a danger that economic circumstances discourage citizens from making provision for their future through appropriate saving and investing. This stores up and accentuates greater societal and systemic issues in the future. [Example net pension replacement rates (Source: (OECD (2021), Net pension replacement rates (indicator). doi: 10.1787/4b03f028-en] <https://data.oecd.org/pension/net-pension-replacement-rates.htm>
- Impact of current and future levels of monetary and fiscal stimulus
 - Prior to the Covid-19 pandemic the level of monetary stimulus in the global financial system was both significant and persistent. The addition of much needed fiscal stimulus will complicate how policy should develop in the future, especially given the differences in size, composition, and trajectory of national economies within the EU.

- These stimuli, while needed, will continue to have an impact on both the structure of the financial markets and the behaviour of investors and all market participants. A key risk will be how policy changes over the life of the strategic plan may impact these participants. This will require a different and deeper understanding of cross-sectoral impacts. In the past, emphasis was placed on examining changes to the structure of the financial sector, in particular the growing role of non-banks, and how this might affect the conduct of monetary policy. Given the magnitude of the stimuli in place and proposed we would suggest that greater emphasis be placed on the likely impact of these policies on the behaviour of all market participants, both banks and non-banks.
- Skills
 - Change within financial services will persist at a pace which will pose challenges for all stakeholders, including the CBI. A deeply knowledgeable and expert regulator who is current on innovations and developments is important. This supports high standards, helps deliver on the CBI's mandate and makes a significant contribution to the operating environment available to those who seek and receive regulatory authorisations in Ireland.
 - The ability to attract, continually develop and retain staff with the requisite levels of expertise is also an emerging risk which the CBI need to consider in its plan. The skills base within industry is continuing to develop in line with financial market, product design and business model evolutions. Ensuring that this also occurs within the CBI is equally important.
 - Creating platforms for regulated firms and the CBI to learn from each other is something we are happy to support.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

- Environment to support Sustainable Finance
 - This is a topic where we know the CBI is active and engaged and which forms a key strategic priority for the funds and asset management industry over the coming years. We continue to devote significant time and effort to ensure Ireland is a trusted and effective home for sustainable investing.
 - We are keen to see the strategic plan ensure an emphasis on creating an environment here which is robust and operable from regulated entities perspectives as they work to implement the various legislative and regulatory elements of the framework. Given condensed and indeed over-

lapping implementation timeframes the existing cooperation which exists will be crucial over the life of the strategic plan.

- Regulatory Framework/Approach to Digital Assets
 - The last 14 months have provided ample evidence of an acceleration in digital adoption which will not abate with the end of the pandemic. This extends to both B2B and B2C interactions, in the delivery of financial services and in the digital assets/investments which are being sought.
 - The CBI is a significant regulator of funds and asset management within the EU. Digitisation and the associated innovations linked to digital assets are now live and happening. Keeping ahead and putting in place both the near-term and longer-term elements of the regulatory framework should be a key early priority. Some elements need not necessarily wait for the publication of the strategic plan.
 - Such a framework should include:
 - The role and treatment of digital assets and derivatives within investment portfolios and funds and how they are authorised and regulated.
 - The manner in which market infrastructure, exchanges and clearing and settlement solutions support the acquisition, holding and disposal of such assets.
 - Requirements for custodians and asset servicing providers
 - Updated and transparent guidance to assist applicants who seek authorisation of funds or portfolios holding such assets to do so in an efficient manner.
 - Central Bank Digital Currencies
- Data Strategy
 - The data provided to the CBI by regulated entities has increased significantly in terms of volume, breadth and frequency. Industry has been responsive to the varying requests made by supervisors, whether for local use or as part of larger data gathering exercises at EU level. We understand the role this data plays in supporting the regulator to actively manage/monitor the financial system.
 - Given the quantum of data being providing and analysed by supervisors we believe that a specific data strategy should form part of the next strategic plan.
 - Data, provided by external parties, is a key asset of the CBI. In aggregated form it is also a valuable resource for the public and regulated entities.
 - This is also linked to the Sustainable Finance agenda.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

- Transparency
 - Increased requirements for transparency are being placed on all aspects of society. We welcome this.
 - As noted by the OECD in their 2014 publication “The Governance of Regulators”, “The regulator has a responsibility to the regulated entities to exercise its powers in a way that increases confidence in the market, rule of law and general trust in the state”.
 - We would ask the CBI to specifically consider how greater disclosure of their operating policies and unpublished guidance materials would positively contribute to the public and regulated entities having confidence and understanding in what is expected of them. The rules, data and informational inputs which are used to make decisions should be disclosed unless it is clear that such disclosure would likely lead to gaming of the regulatory system by regulated entities.
 - We would also suggest an expansion to the metrics provided by the CBI regarding its Regulatory Service Standards Performance Report which is published half-yearly and would be glad to engage, specifically on this point.
 - We welcome the CBI's focus on enhancing its stakeholder engagement framework and specifically its proposals in Consultation Paper 136 – Enhancing our Engagement with Stakeholders. We believe it vital that the CBI continue to develop its dialogue with users and providers of financial services and do so in a transparent and purposeful manner.

- Evolutions in Work and Working Patterns
 - The industry has demonstrated a high level of resilience throughout the pandemic. The last 14 months has also provided a prolonged period to assess evolutions in the way work and working patterns can be adapted in terms of digital delivery, remote v's office-based presence etc...
 - How the world of work re-calibrates post pandemic will play out over the life of the strategic plan in ways which are difficult to predict right now. We would encourage the CBI to consider, as part of their strategy, the impact this will have on the way in which they interact with regulated entities and how their requirements may need to evolve to reflect these changes.

- Retail Participation in Capital Markets
 - The European Commission's strategy for retail investors and the link to Capital Markets Union will progress during the life of the CBI's strategic plan.
 - Irish households have very low levels of holdings in investment funds, debt securities and listed shares (Source: [EFAMA Household Participation in Capital Markets, September 2020, page 15](#)).
 - This is a consideration which needs to be taken account of in the plan and links to our response to question 4.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

- Financial inclusion and literacy
 - The Central Bank performs an important role in sanctioning and publicly calling out firms who have failed to live up to their obligations and standards of conduct. In the next strategic plan, and in conjunction with other agencies and Government departments, we believe there is an opportunity for the CBI to play a greater role in creating discussions around the role of financial services in citizens lives which are supportive of financial literacy and financial inclusion.
 - We believe that diversity and inclusion along with culture to be important areas that should be embedded in the CBI's strategic plan as these will support and assist the CBI and industry firms in the delivery of the strategy.
 - We are happy to work with the CBI over the life of the strategy on this.
- The post-Brexit world
 - While the UK's exit from the EU is complete, residual questions relating to the financial services relationship, many of which remain open, represent an ongoing risk affecting many international financial services organisations (and underlying employment) around the country.
 - Ongoing access to distribute Irish domiciled funds into the UK remains key for those investors who are served by a wide range of fund solutions located here.
 - Given the linkages between the international financial services community operating here and the UK market we believe a post-Brexit environment should be a feature of the CBI's strategic plan as the relationship between the UK and EU settles.



We hope you find these comments helpful, and we remain at your disposal to discuss the matters raised in this response further.

Yours faithfully,

A handwritten signature in black ink that reads 'Pat Lardner'. The signature is written in a cursive style with a large, looping initial 'P'.

Pat Lardner
Chief Executive

Irish League of Credit Unions

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

The departure of a number of banks from the Republic of Ireland and rapid downsizing of the banking network, lack of competition and access, and that this most affects those seeking mortgages, and credit for SMEs. That banking in Ireland is now back to where it was about 1960, and a skeletal duopoly increasingly online only is economically disadvantageous and societally disempowering. That the Central Bank recognise the dangers inherent in a banking system in which knowledge based on personal relations is now almost non-existent.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

The Central Bank's Strategic Plan should prioritise the protection of the credit unions ethos, based on the common bond, of a community of savers and borrowers. That it take this into account as a priority issue in the merger of credit unions, and ensure that credible, homogenous common bond areas result, which enhance the community basis and democratic ethos of the movement. That it recognise the credit union ethos as being of real value, including the active promotion of volunteer boards as a pillar of accountability and community banking.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

The key consideration must be the rescue of Irish financial services from a speed and scale of regression that has diminished the banking sector to a lack of competition last seen in the 1960s. In parallel it must recognise that historically credit unions have been of peripheral interest only to the Central Bank, and then only as a culturally awkward, volunteer movement to be contained but not developed. Following from government commissioned reports, and commitments in the Programme for Government credit unions should be championed as the basis for community banking that will address, over time, key deficits of competition and access to financial services, undermining economic competitiveness and social cohesion. In the context of building back competitive, accessible financial services, including community banking, which as recommended by government reports, credit unions should be central to, credit unions must have a much higher strategic priority in the Central Bank. That priority must be to regulate and develop the movement in accordance with its own ethos, and as the basis for community banking in the future.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

The ILCU believes it is vital that the Central Bank continues to focus on consumer protection and in particular the most vulnerable in society. We therefore look forward to legislation which will cap the maximum loan interest rate which can be charged by licensed moneylenders and hope that this will be accompanied by appropriate regulation of licensed moneylenders.



Gabriel Makhlouf
Governor
Central Bank of Ireland
New Wapping Street,
North Wall Quay,
Dublin D01 F7X3

By email: strategy@centralbank.ie

11 May 2021

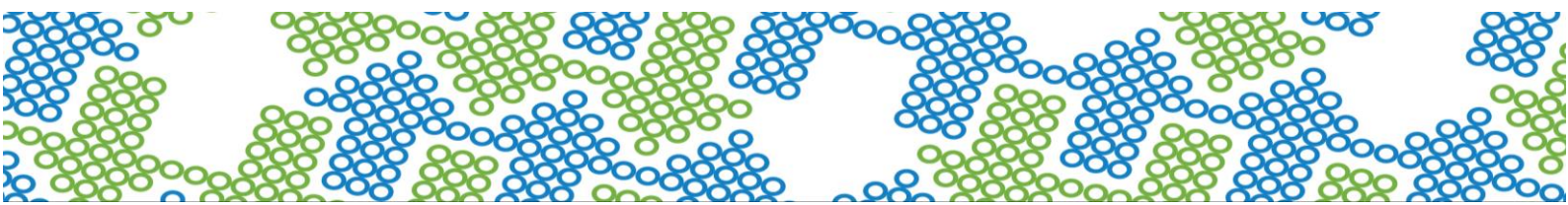
Dear Governor,

Re: Central Bank of Ireland Strategic Plan 2022- 2024

As you know, the National Competitiveness and Productivity Council is responsible for identifying potential productivity and competitiveness issues within the Irish economy and making recommendations on how to address these issues to enhance Ireland's competitiveness and productivity performance. In carrying out these functions, the Council has identified two main areas where there is a potential overlap between our two organisations. These two areas are: (i) the analysis of productivity developments in Ireland; and (ii) the business cost of the provision of certain financial services (such as credit and insurance).

Productivity Analysis

As Ireland's National Productivity Board, the Council has an important role in promoting policy-relevant productivity research in Ireland. Given the centrality of productivity to long-term economic growth, the Council believes that it is particularly relevant to the work of the Central Bank of Ireland ('Central Bank'), and there is potential for further cooperation on productivity research in the future which I have previously discussed with you and with Deputy Governor Sharon Donnery. Developing the productivity agenda has been delayed by COVID-19 constraints, but the NCPC Secretariat is now fully engaged with the Council in exploring the priorities for research on productivity in Ireland. We would welcome an emphasis in your forthcoming strategy on productivity research and an interest in cooperation in relation to exploring and contributing to the research agenda.



Business Cost of Financial Services

The second area of overlap between our two organisations is related to the provision of financial services in Ireland. As mentioned, the Council has a role in identifying factors that can have an impact on the ability of Irish enterprise to compete internationally. In carrying out this responsibility, the Council examines a range of costs that enterprises face, including the cost of certain financial services (including the cost of credit, and the cost of insurance).

In these areas, the Council depends on high quality data in two ways. First, to identify whether there are competitiveness and productivity issues within these markets and to make policy recommendations on how to address any issues identified. Second, to assess whether the policy actions taken have had the desired impact in addressing any potential competitiveness and productivity issues.

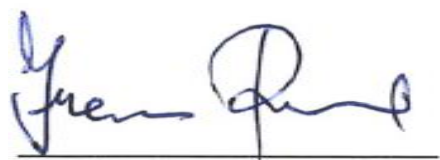
As the financial regulator, the Central Bank plays a central role in Ireland's financial system. In this capacity, the Central Bank collects data on financial institutions that can be used to inform the Council's analysis of how financial markets in Ireland are operating and the impact their operations have on the competitiveness of Irish enterprise.

For both insurance and credit markets, the Council has drawn on work by the Central Bank to inform our analysis and policy recommendations to the Government.

The Council has also used Central Bank data to set out SME default rates and has referenced Central Bank publications that have explored the reasons underpinning cross-border differences in SME borrowing costs. More recently, we have referenced the National Claims Information Database (NCID) when making recommendations to the Government on actions needed to address the high cost of insurance in Ireland. The Council particularly welcomes the forthcoming expansion of the NCID to cover employers' liability and public liability insurance and intends to use NCID data as part of its assessment of whether the Government's insurance reforms are successful in addressing insurance costs.

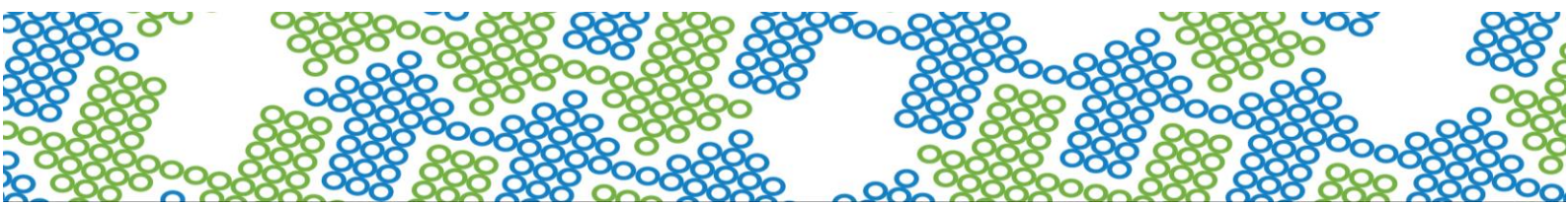
Looking forward, the Council would welcome and support the Central Bank continuing to explore opportunities to share financial market data in a way that would assist in informing, and evaluating, policy decisions. In particular, the Central Bank is well placed to provide a holistic view of the patterns of SME borrowing that incorporates the whole spectrum of financial institutions (including banks and market-based finance entities).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Frances Ruane', is written over a horizontal line.

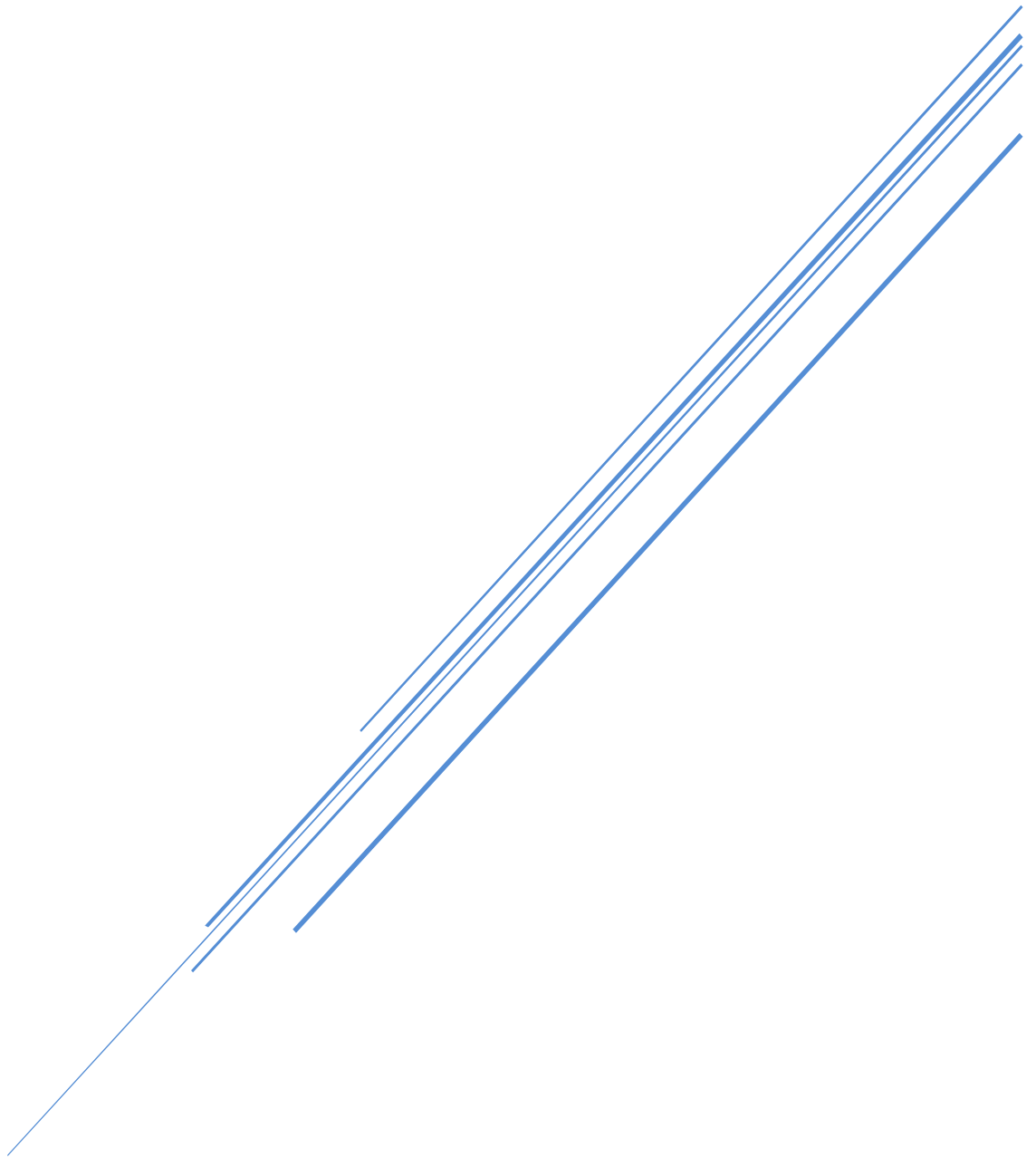
Dr. Frances Ruane

Chair of the National Competitiveness and Productivity Council



NATIONAL SUPERVISORS FORUM

Central Bank Strategic Plan Public Engagement
2022-2024



The following submission is enclosed

Section 1 - Key current and emerging risks

The obvious key risks pertain to the as yet unquantified financial and economic shock post Covid. The Governmental response to financially firewall in the interests of public health is the correct course, but it does mean an element of uncertainty as to the final cost and long-term impacts.

The other key risk pertains to the financial and economic shock of Brexit.

These key elements, the implications of them, and the financial ramifications to the Economy and the Financial Services sector, including Credit Unions, should be quantified and published in a transparent and understandable manner. This will better inform decision makers, and in particular, will also assist Credit Unions in adopting and updating their own strategic plans, to include identified risks as quantified by the Central Bank risk identification.

Section 2 - Role and Mandate

It is very clear, that the role of the Central Bank will morph from primarily one of legislation and oversight, to perhaps aiding the State and the Economy, in a proactive way, to grow and recover from the twin impacts of Covid and Brexit. While these are external effects, they are not caused internally, and can be deemed to be once off economic shocks. As such, the response within mandate, can reasonably be expected to more creative and less rigid, that may usually be seen in terms of prudence and caution. This is not to say that the Central Bank should become reckless or laissez faire, but it should consider adopting processes and funding supports to Business and the general economy, that may not be usually seen, in the knowledge that these are short term immediate responses to extraordinary financial impacts.

Section 3 - Other Considerations

As with every Organisation adopting or introducing a Strategic Plan, there are certain assumptions. Strategic plans should be living and iterative, to adapt to changes and take advantages of opportunities. As such, the Strategic Plan, should clearly state the assumptions, and when these changes, the revised Strategic Plan partway through its cycle, should also be advertised and the changes, good or bad, clearly identified to all stakeholders. This is far better, than relying on uninformed or agenda-based media commentary.

Section 4 - Public Sector Obligations

The Central Bank has improved in terms of engagement with stakeholders, but this can be further enhanced, through meaningful focus group-based debate, where honesty and openness without consequence is encouraged. In particular, the requested timelines for Returns and Requests for Information, including this exercise,

are very short, and do not encourage considered engagement. This should be looked at in a broader context.

Joe Tobin

Chairperson

National Supervisor Forum

Individual Response 1

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

Regulating the Banks in Ireland correctly. Fines do not work because they do not penalise those guilty of breaching regulations. It is very important that these people go to jail for their crimes. When you fine a bank they pass that cost on to its customers.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

Ensuring Ireland's mortgage interest rates are in line with the rest of the EU current we are the second highest interest rate next to Greece. No real reason given as to why interest rates are so high. This culture of we can do what we like in the banking sector needs to be stamped out for good.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

Regulating the insurance industry correctly is also a priority insurance prices are far too high. Rules and regulation are need to stop insurance companies gamebling the insurance fund. Dual pricing needs to be abolished.

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

Tell us that mortgage interest rates are the second highest in the EU and not taking any action or explaining why they are so high is not really much good to the public we would like to see action take to resolve such issues.

At the moment banks are trying to squeeze the credit unions out of the market by charging high account maintenance fees it would be nice if the CBI could address this as a priority. I don't trust banks at all but I do trust the credit union it has always been reliable for me.

Individual Response 2

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

Well, I would say that the constant developments and improvements of computers and internet speed can be a threat to any Central Bank in the World. Therefore, the risk management is a mandatory aspect for the success of the Bank. Besides that, the climate changes are clear and the sooner the banks and the society understand the importance of taking care of our planet and making sustainable decisions, the better.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

Keep a solid financial system. Integrate the system with new technologies: cryptos, payment methods and so on. Maintain green initiatives

Individual Response 3

We would like to invite your comments on **any or all** of the following areas:

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

Ongoing, repeated examples of poor corporate governance, inappropriate behaviour or processes by regulated individuals or in regulated entities etc. point to the continued need for a strong focus for the Central Bank to regulate, drive, shape and sponsor a corporate culture that embraces differences, supports and sustains an inclusive working environment. The Central Bank has played an important, public role in this debate and should take the opportunity to strengthen this while more rigorously examining the behaviour, actions, motivations and incentivisations of regulated entities and their executives and employees. As Ed Sibley has said, diversity & inclusion is a supervisable activity and this needs to be followed through not just via thematic reviews but severe, transparent consequences for those accountable or responsible.

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

As above - Ireland Inc has an opportunity to be seen not just as a home for FDI and professional talent, but one that is inclusive and inclusively regulated

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

The D&I lens must also continue to be used within the Central Bank

Individual Response 4

We would like to invite your comments on **any or all** of the following areas:

1. What do you consider to be the key current and emerging risks and issues that the Central Bank should consider in the development of our next strategic plan?

Some emerging risks and issues that should be considered include;

- Ireland's Retail Banks. Reduced number of players now in the market. What will this mean for retail banking in the future? We are already seeing a major reduction in bank physical locations with more expected to come. Key processes are also being outsourced. How do we guarantee financial services accessibility to customers.
- Sustainability. Individual banks are already addressing this through various measures. Are they sufficient and how do the Central Bank assist and encourage.
- Resilience: Covid has again placed huge pressure on businesses and individuals. This pandemic has demonstrated the excellent position the banks and countries has put themselves in following the financial crises of 10 years ago but this will still have a massive impact across financial services. How do we continue to strengthen resilience that prepares us for such unexpected events, especially if it was one that didn't impact on the EU overall?
- How to deal with the rapid expansion of payment options and new fintechs within the industry. Are we prepared for potential issues that a new reliance on electronic/smart payments presents? Do we still have the physical infrastructure to support physical cash demand in the event that electronic payment was compromised even for a short period of time?

2. In the context of our role and mandate, what do you consider the Central Bank's priorities should be for the next strategic plan?

- Ensuring financial stability. The latest pandemic will place significant pressure on many areas and the overall financial system needs to be robust.
- Financial Regulation. Banking within Ireland is changing dramatically, with some banks exiting and other new players in traditional banking space such as payments but many other areas too. How does the Central Bank regulate this while also not restricting financial institutions the ability to compete with new entrants?
- Sustainability: How does the Central Bank demonstrate that it will be a market leader in achieving the Government & EU sustainability ambitions? This includes the future robustness of banking and FI's as well as supporting the environment.

3. Are there any other considerations that you feel the Central Bank needs to take into account in the development of our next strategic plan?

- Banking is changing at rapid pace. What do our customers now want/expect. How do we support this change?
- As traditional banking practices change, are financial institutions going to be challenged in terms of income? Do our pricing models and customers expectations need to be considered in more detail.
- How efficient is our payment settlement system and will it continue to meet expectations?

4. In terms of our public sector duty obligations, are there any specific issues the Central Bank should consider in developing our next strategic plan?

- Need to consider customer's traditional expectations against the challenges and future direction that banking is facing and moving towards. Are they aligned and how do we ensure they are?
- Financial stability of members and public. How do we support and ensure resilience into the future.
- Financial regulation of all players offering financial services
- Continuation of the excellent work that has been evident in terms of engagement across the sector.