

Welcome...

...to the latest IPSO newsletter which will help inform members and users of payment services about developments in payments both here in Ireland and internationally. IPSO leads the development of the Irish payments industry, providing strategic and operational direction as well as being the representative body for payments in Ireland.

This edition features external articles from the Financial Services Club and the Revenue Commissioners in addition to IPSO contributions and our regular features.

We welcome and always encourage your feedback.

Details on how to contact us are on page four.

Enjoy Payments Today, Pat McLoughlin, CEO



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The Changing Face of Payments in Ireland

Pat McLoughlin, Chief Executive, IPSO

Payment for goods and services is a critical part of the functioning of a modern economy. Payment behaviours differ from country to country and these behaviours impact on costs to consumers, businesses and the public sector. Ireland has had a particularly high dependency on cash and cheques and had been slow to change behaviour, but the pace of modernisation has been increasing in recent years.

Cheques are still used quite extensively by businesses and the public sector in Ireland and only the UK and France, of the large economies, are in Ireland's league. In fact Ireland issues more cheques (per capita) than 23 other EU Member States. Progress is being made however and 2010 saw Ireland's cheque numbers declining for the fifth consecutive year.

In the past three years, cheques have declined by 27%. Despite the cost of cheques to businesses, many are slow to change.

IPSO research shows that while 70% of businesses agree that electronic transfers improve credit control, reduce administration costs and provide cost savings generally and 62% of businesses would prefer to receive all payments electronically, 61% had not yet calculated the actual cost of using cheques. IPSO encourages all businesses to analyse their costs of payments.

Ireland's consumers are now using debit cards as a means of payment much more frequently. There are now 3.4 million debit cards in Ireland. In 2010 there were 208 million debit card transactions, an increase of 6.6%, with a value of €11.5 billion. 2012 will likely see the roll-out of new debit cards with enhanced security features for shopping online and new features such as contactless payment which will speed up the payment process for small value purchases.

Cash is still regarded as a favoured means of payment in Ireland. Ireland's ATM cash withdrawals, at an

average value of €5,000 per person per annum, are double the EU figure and 10 times the value of the best performing country, Denmark. Withdrawals peaked at €6,500 in 2008 but have been dropping since and in 2010 alone, the value of cash paid out dropped by over €3 billion to €22.3 billion.

Predicting future trends in the payments industry is difficult but a concerted national effort by Government, Central Bank and banks in Ireland to agree a national plan for payments should lead to a major reduction in Ireland's dependence on cheques, an increase in the usage of electronic payments and a reduction in cash to the EU norms. Payment transactions to and from Government and public bodies could be made solely by electronic means. To achieve this, any individual who requires a payment account will have access to it. Technology developments will provide alternatives for low value payments. The benefits of a national plan would reduce costs to Government, businesses, consumers and the banks.

Ireland and its European counterparts have been working together to create the next phase of the Single Euro Payments Area (SEPA) which will enable consumers and businesses to make electronic payments within SEPA. In order for this to happen all national electronic payments systems will merge to form one single payments system and the current differentiations between national and cross border payments will end.

Estimates indicate that Ireland could enjoy a saving of €1 billion per annum if it sufficiently modernises its payments profile. If it doesn't, Government, businesses and consumers will continue to incur unnecessary costs to pay for goods and services.

More information: [Industry Statistics](#) section of IPSO.ie



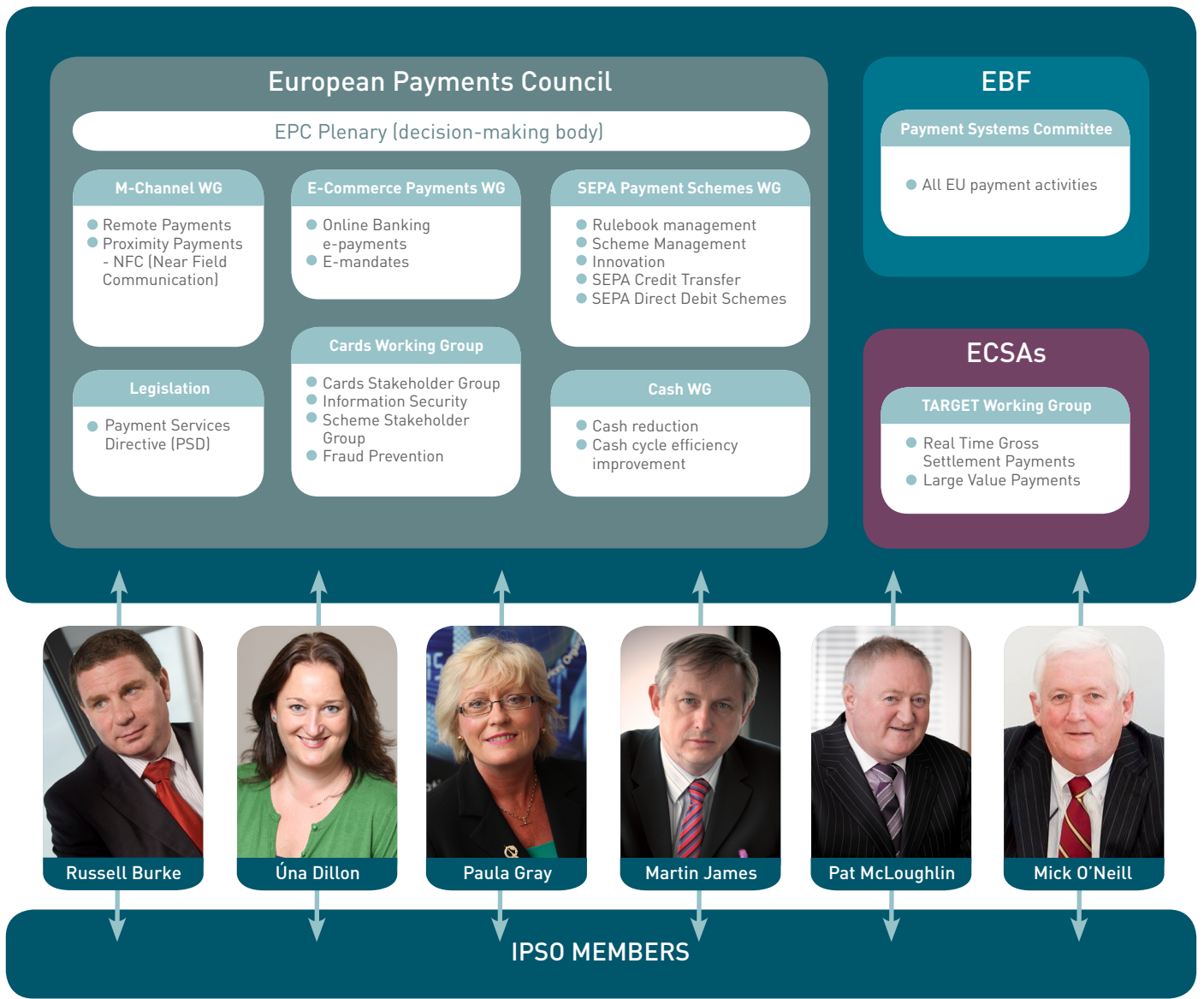
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Representing Ireland in Europe

IPSO represents the Irish position in relation to each of the payments systems, negotiates on Ireland's behalf and communicates important messages from Europe back to its members.

The groups on which IPSO is represented at a European level are run under the auspices of the European Payments Council (EPC), the European Banking Federation (EBF) and the European Credit Sector Associations (ECSAs).

- The European Payments Council (EPC) is the coordination and decision-making body of the European banking industry in relation to payments. The EPC develops the payment schemes and frameworks necessary to realise the integrated euro payments market.
- The European Banking Federation is the united voice of banks established in Europe. It is a forum where best practices are exchanged, legislative proposals and initiatives are debated and common positions adopted.
- The European Credit Sector Associations comprises the European Banking Federation, the European Savings Banks Group and the European Association of Cooperative Banks. The TARGET Working Group represents the banking industry at European level in discussions with the European Central Bank / Eurosystem on TARGET2, and other related matters.



Did You Know? Cheque Facts

- A 27% drop in cheque usage has been recorded in Ireland over the last three years with 2010 being the 5th consecutive year of decline
- Cheques can be returned unpaid for many reasons
- Each cheque incurs a Government stamp duty charge of 50 cent to the issuer
- The Cheque Guarantee Card Scheme in the Republic of Ireland is being closed on December 31st 2011. Cheques written and accepted after that date will not be covered by the Scheme guarantee
- Cheques must be brought or sent to a bank for lodgement and are then subject to clearing timeframes. [Click here](#) for information on the clearing cycle
- Cheques are not as efficient as electronic payments for making or receiving international payments
- Ireland remains one of a very small number of EU countries which continues to use cheques for day-to-day payments

More information: IPSO.ie

Successful collaboration between IPSO and the Gardaí

Úna Dillon, Head of IPSO Card Services

IPSO has been working with the Garda Bureau of Fraud Investigation (GBFI) since August 2002 when the first meeting of the IPSO Card Fraud Forum (CFF) was held. The CFF was established to examine payment card fraud issues and to develop and implement solutions. At that first meeting it was recognised that a lot of benefit could be achieved through sharing information on known payment fraud cases between IPSO and the GBFI and by IPSO being the central point of contact between the GBFI and the Irish retail banks.

The GBFI is a specialist agency that investigates fraud-related crime and, in particular, investigates serious and complex cases of commercial fraud, cheque payment, card fraud, counterfeit currency, money laundering and computer crime.

In recent years, with an increase in the number of ATM skimming attempts and a focus on data protection, IPSO has collaborated with members of the GBFI on investigations which have led to the detection and prevention of crime against retailers and consumers in Ireland and to the arrests and sentencing of a considerable number of organised criminals.

According to Detective Sergeant Matthew Sheridan of the GBFI "the vast majority of cases are solved by the department due to the excellent cooperation between the Garda Bureau, IPSO and its members. The proactive multi-agency cooperation provides improved capabilities to our investigative work. More individuals are convicted in Ireland due to this alliance and there is also enhanced speed in bringing cases before the courts."



Key benefits of the partnership:

- Effective information sharing
- Centralised early warning / detection
- Identification of criminal processes and activities
- Increased number of relevant arrests
- Reduced crime against payment cardholders, banks and shops (e.g. 95% reduction in number of successful ATM skimming incidents from Q1 to Q2 in 2011)
- Combined public awareness campaigns (e.g. joint Crimercall programme alerts)

The support between IPSO's members and the Gardaí also leads to arrests in other jurisdictions. This has been acknowledged by European counterparts with commendations to both IPSO and the GBFI from such bodies as IAFCI, the International Association of Financial Crime Investigators.

IPSO will be carrying out further payment fraud prevention awareness campaigns in 2011 in conjunction with members of the GBFI, especially prior to the busy Christmas shopping period. More details will be available on IPSO's fraud prevention website at SafeCard.ie.

More information: [Card Security Developments](#) of IPSO.ie



The 'Outstanding Achievement in Fraud Prevention' is presented to the Garda Bureau of Fraud Investigations by IPSO's Head of Card Services, Úna Dillon

The Future of Retail Payments

Chris Skinner,

Chairman of the Financial Services Club and Owner at Balatro Ltd.



I define innovation as change that is disruptive and mainstream. Innovation changes the business models of providers in a market space in a fundamental way for the long-term - that is disruption.

For example, Facebook demonstrates innovation. In 2006, no-one discussed Facebook or even knew what it was. Today, Facebook is the no.1 website worldwide with around 675 million dedicated to its usage. In less than two years, Facebook fundamentally changed the face of the internet.

M-PESA in Kenya is an innovation in P2P payments. Apps. (applications) on the iPhone are an innovation in commerce. The iPhone itself is an innovation but not a significant one, but the app. on iTunes is a strong source of control and ownership in the commerce stakes. There are many other examples of innovation out there disrupting traditional business models.

Then we look at the banking industry and SEPA and I wonder where the innovation occurs in banking. SEPA has taken over ten years to gestate and has delivered SEPA Credit Transfers and SEPA Direct Debits, which have yet to deliver. SEPA is an innovation in the payments infrastructure but such innovation in the industry has to happen through a constructive industry evolution towards a common goal. And so we have innovation in banking that often only occurs through regulation, as regulation forces the industry to work together towards a common goal of compliance.

Meanwhile all the innovations of PayPal, M-PESA and co. take place on the top of the infrastructure. In other words, we have rapid innovation on top of the existing infrastructure. PayPal has replaced nothing for example, it has just added a layer of convenience to what was inconvenient before. In other words, innovation takes place slowly at the core (SEPA) and fast at the non-core (PayPal).

In this new world of rapid cycle change in the non-core, three things are happening:

- There is no longer a separation of online and offline. There's just global real-time.
- There is a restructuring of the form and function of banking and payments through the development of apps.
- The combination of global real-time and apps. is creating a much greater recognition that our greatest asset is information.

First, global real-time is why mobile matters as mobile internet is delivered 24*7. The ability of mobile to quickly become mainstream as an innovative disruption is amply demonstrated by the rise of PayPal's mobile channel which is already expected to process \$2 billion in transactions this year, and is seeing a doubling year-on-year.

Second, finance is being restructured in form and function through the increasing use of apps. which deliver a deconstruction and reconstruction of finance, thanks to taking pieces of what was an end-to-end process and breaking it down into simple form. A balance check no longer requires logging on to look at a complete service from bill payments to credit card transactions. You just see the balance.

The way in which such apps. demonstrate a reconstruction of thinking is best demonstrated by Zynga, a gaming firm on Facebook. Zynga's Farmville took three months to grow to 60 million users in 2009 and this year Cityville grew from nowhere to 100 million users in just six weeks.

Now the key to this gaming world is that it is driving the emergence of micropayments and microcredits. People are exchanging 'virtual nothings' for cash. If just 5% of Zynga's users spend \$5 a month on Cityville, that's \$300 million a year on one game. And that's \$300 million spending on virtual nothings!

Now add all the other games out there, and you soon see why a \$10 billion on virtual currency in 2011 in Facebook makes it attractive for Facebook and Zynga to launch their own virtual monies. And these virtual monies are disruptive as they innovative the form and function of exchange.

Thirdly, you have a market today where billions of real dollars are being exchanged for virtual dollars, then the virtual world becomes as important as the real world for commerce and, in some cases, more so. For example, how important is iTunes?

With 200 million active credit card accountholders and revenues in excess of \$5 billion a year, I would claim that the virtual exchange of iTunes is Apple's crowning glory. iTunes is driving the sales of iPad, iPhone and more, as it is iTunes that offers the stuff folks want - games, apps., movies, books and it is the store where real money is exchanged for virtual goods - digital downloads - that is really driving the revenue.

So the core point for me is that we have to recognise that banking and payments are being deconstituted into apps. that are delivered in global real-time as virtual forms of exchange of data. As a result, we live in the information warfare world of Amazon, Google, Apple and company. This is the world of finance today and if you don't see that, then you're missing a trick.

Collecting for Ireland – Payment Handling in Revenue

Pat O'Shea, Senior Manager with Returns & Payment Accounting Services in the Office of the Revenue Commissioners

They say that the only two certainties in life are death and taxes. Revenue, the Irish Tax and Customs office, provides a very comprehensive, sophisticated and easy to use range of payment collection systems which have been internationally recognised as best in class. Although 70% of payments are already received electronically, mandatory e-filing and e-payment will soon deliver further efficiencies for the system.

Main Payment Options

In 2010 the gross receipts taken in by Revenue amounted to €47.55b and the associated payment transactions exceeded 3.7m

The Revenue On-Line Service enables customers to interact electronically with Revenue. This service is a secure Internet facility that provides customers with a speedy facility to file tax returns, pay tax and access their tax account details, 24 hours a day, 7 days a week. It caters for business customers (self-employed individuals and practitioners) and employees. ROS provides the following methods of payment of tax:

- ROS Debit Instruction (RDI)
- Laser and Debit Cards
- On-Line Banking

Other methods include:

- A Direct Debit facility is available for the major taxes payers
- Cheque (using customised machine readable payslips)

Provision for payment by credit card will be available soon.

Since the introduction of Revenue's Online Service there has been a marked and progressive move from paper to e-file and e-pay. The preferred e-payment methods are ROS and Direct Debit and in 2010 these channels accounted for €33b or almost 70% of the value of all receipts.

Revenue
Cáin agus Custaim na hÉireann
Irish Tax and Customs



Ireland was ranked the easiest country in the EU in which to pay taxes according to 'Paying Taxes 2011 – The Global Picture', a report by Pricewaterhouse Coopers, the World Bank and the International Finance Corporation.

Ireland is now ranked 1st in Europe for the provision and sophistication of online services to businesses and citizens according to the 9th European Commission eGovernment benchmarking exercise 'Digitising Public Services in Europe: Putting Ambition into Action'

Extension of Mandatory e-Filing/e-Payment

Until relatively recently e-filing/e-payment had been voluntary but since 2009 Revenue has commenced the phased introduction of mandatory e-filing and e-payment. The first two phases were limited to a small number of high value customers, state bodies and Government Departments. However, future phases will bring the remaining customers into the mandatory regime in large tranches.

Revenue on SEPA

On the European front, Revenue would welcome speedy progress on the Single Euro Payments Area (SEPA) project as it would simplify electronic payments and accelerate the demise of cheques.

While no one longs for the tax deadline to come around, we all recognise that taxes and duties oil the wheels of the nation. Revenue recommends keeping the process as painless as possible and that customers file and pay online using ROS.ie.

More information: Revenue.ie

In Brief: Other Recent Headlines

NB - IPSO IS NOT RESPONSIBLE FOR THE CONTENT OF EXTERNAL INTERNET SITES

Preference for electronic payments but many businesses slow to drop cheques

IPSO research showed that 70% of businesses agreed that electronic payments and card payments improve credit control and reduce administrative costs, but only 19% had encouraged customers to move away from cheques.

Source: Sunday Business Post

EU banks ready to break Visa/MasterCard duopoly

A group of 24 European banks planning to establish a rival card network to Visa and MasterCard

Source: Finextra

AIB Merchant Services and PaySwyft to bring a new on-line bill presentment and payment service

AIB Merchant Services and PaySwyft to enable businesses to efficiently issue electronic invoices to their customers and secure rapid payment through a single web portal.

Source: AIB Merchant Services

New Zealand considers the future of paper cheques

The New Zealand banking industry is to begin a wide-ranging consultation on the future of paper cheques in the country.

Source: Finextra

Centra first to accept Contactless Payments

Centra will be the first Irish retailer to provide contactless payments in Ireland, with the announcement coming just days after the service was launched here.

Source: Centra

Gartner: 141 Million Consumers Will Spend \$86.1 Billion Using Mobile Payments In 2011

Worldwide transaction value of mobile payments for digital and physical goods, money transfers and NFC transactions will reach a whopping \$670 billion by 2015, up from \$240 billion this year.

Source: Tech Crunch



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