

## 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.

I am delighted that this edition contains two more guest articles, one from Sigmar about the benefits of getting away from cheques, the other from the National Transport Authority on how the Integrated Ticketing Project will bring the convenience of cashless public transport payments to Dublin.

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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## STEP2 Irish Service Successfully Launched

Mick O'Neill, SEPA Ireland Programme Manager

The STEP2 Irish Service was successfully launched on 10th October and is working well. The three objectives of the project, set less than one year ago, have all been fully met.

These objectives were:

- To deliver a next day value service for all electronic payments both domestically and cross-border ([SEPA](#))
- To eliminate the settlement risk associated with the [Irish Retail Electronic Payments Clearing Company's \(IRECC's\)](#) settlement process
- To extend the cut-off times for making payments

Mick O'Neill, SEPA Programme Manager at IPSO said "Following extensive testing, we are delighted that both the preparations and the launch of the STEP2 Irish Service went smoothly and in a timely manner, less than a year after we announced our decision to develop the service".

### Next Day Value (D+1)

Customers of IRECC's six member banks can now make payments up to mid-afternoon (between 15:00 and 16:00 depending on the bank in question) and be guaranteed that the beneficiary account will be credited on the next business day.

This applies to both domestic payments and cross-border payments within SEPA (the [Single Euro Payments Area](#)). This was a requirement set out in the [Payment Services Directive](#) (PSD).

### Settlement Risk

Before the service was launched, IRECC's settlement process carried a significant risk for IPSO member banks. Each day, transaction files were bilaterally exchanged between member banks, processed overnight and then settled in the Central Bank the following morning. With the new service, banks send their settlement figures to [EBA STEP2](#), in late afternoon, where a multilateral net position for each member is calculated and this position is then settled at 19:00 each evening before the banks process the transactions files, eliminating the risks previously involved.

### Cut-off Times

The PSD states that banks must establish a payment cut-off time close to the end of the business day. The new STEP2 service has enabled all banks to extend their cut-off times to mid-afternoon and

offer improved payment processing services to their customers.

### STEP2

At present, the PE-ACH platform of EBA Clearing processes about one third of all SEPA Credit Transfers and over 40% of all SEPA Direct Debits in Europe. From the beginning of the year to the third quarter, STEP2 has increased its total volumes by 22% and currently handles an average of 3 million transactions per day.



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# Did You Know? Ireland is Unique

- Despite a Government Stamp Duty of 50 cent per cheque, Ireland is the second highest user of cheques on a per capita basis in the "EU 15", with only France using more
- Stamp duty on credit, debit and ATM cards is unique to Ireland
- At €5,000 per person per annum, Ireland is the highest user of ATM cash withdrawals in the EU where the average is about half that figure
- Ireland's use of electronic credit transfers by value is the second lowest in the EU and is only at 10% of average EU levels
- Ireland has over 3,200 ATMs
- Ireland's usage of payment cards (credit and debit) is higher than the EU average, despite having a lower than average number of cards issued
- Direct debits are relatively popular, with Ireland making the EU top 10 by volume and top 5 by value

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

## Cheque Guarantee Card Scheme to Close on December 31st

Russell Burke, Head of Strategic Development

The Cheque Guarantee Card Scheme in the Republic of Ireland ("the Scheme") is being closed on December 31st 2011.

Cheques written and accepted under the Scheme guarantee, up to and including December 31st, and presented within six months of the date of the cheque, will be paid where the rules of the Scheme have been complied with. Cheques written and accepted after 31st December 2011 will not be covered by the Scheme, will be treated as regular cheques, i.e. payment will not be guaranteed, and they may be returned unpaid.

Some cards may continue to carry the Scheme logo after the closure date; however the Scheme guarantee will no longer apply. Other card functions (e.g. ATM, debit card) will not be affected. I would advise all cheque users, but in particular businesses that still accept cheques from consumers, to ensure they are adequately prepared.

### Key messages for Cheque Issuers

- The Guarantee will not apply for cheques issued or dated after December 31st 2011
- After the closure date, cheques can be written as normal, but they will no longer be guaranteed under the Scheme
- Many debit/ATM cards issued no longer carry the cheque guarantee function

### Key messages for Cheque Recipients

- Cheques written up to and including the closure date will continue to be guaranteed as normal, providing the Scheme conditions have been complied with
- Cheques written after this date will not be guaranteed under the Scheme
- For those businesses that continue to accept cheques it is recommended that all staff are made fully aware of the Scheme closure

### Why is the Scheme being Closed?

Cheque usage in Ireland has been declining rapidly as more and more people are choosing to make their payments electronically. The number of cheques written in Ireland has dropped from 131.5 million in 2005 to just over 90 million in 2010. Only a tiny percentage of these are written in conjunction with a valid cheque guarantee card (about 1%) and many retailers no longer accept cheques as payment for goods and services. Furthermore, two of the six member banks of the Scheme have withdrawn from the Scheme.



In such circumstances, and following a period of stakeholder consultation, the [Irish Paper Clearing Company Limited](#), which is responsible for maintaining and operating the clearing and settlement system for cheques in Ireland, (as administrator of the Scheme) decided that there should be an orderly winding down of the Scheme, thereby facilitating clarity and certainty for both writers and receivers of cheques and to avoid confusion.

### How the Communications Programme was Managed by IPSO?

To ensure that all cheque users are made aware of the Scheme closure an extensive communications programme was undertaken:

- IPSO undertook a series of stakeholder consultative meetings with a number of representative bodies including Age Action Ireland, the Consumers' Association of Ireland, RGDATA, Chambers Ireland and the Small Firms Association. All were supportive of the orderly termination of the Scheme
- A formal notice was published in the national press in 2010. IPSO then ran a further notice in June 2011 and another in November 2011
- Each Scheme member bank undertook its own customer notification programme
- IPSO has been providing ongoing support for its members by placing dedicated information on its website, by taking part in radio interviews, by contributing to press articles and also by writing to over 150 trade and industry bodies and representative organisations with relevant information for their members

More information: [Cheque Guarantee Card Scheme section](#) of [IPSO.ie](#)

# Ireland's Changing Debit Card Landscape

Úna Dillon, Head of IPSO Card Services

IPSO has recently received many enquiries from consumers, retailers, new businesses and even new banks about the future of debit cards in Ireland. This is hardly surprising given there has been a lot of talk about Laser Card being replaced by other debit card brands.

## Recent Developments

In the past twelve months the Laser Scheme has seen the withdrawal of three members in favour of one of the international brands, which include Visa Debit and Debit MasterCard. The Scheme's two largest members have issued public notices regarding their intention to issue Visa Debit in the near future and the remaining member is currently considering its options.

## Why have Laser's Members Decided to Move?

It's simple. Laser Card had a purpose and it has served that purpose. The card was introduced in 1995 as the electronic form of the cheque. Almost every adult residing in Ireland holds a Laser Card and now 190 million transactions, worth €11.1 billion, are processed every year. It is a popular card and a very well-known brand, having become a national household name during its short life. It is a small domestic scheme, owned by its member banks and managed on a non-profit basis. While the card payments world is changing fast, it is realistic to say that to develop Laser Card to meet the future needs of its cardholders would incur huge investment costs, on banks, on retailers and ultimately on consumers. The Scheme's member banks recognised this and have chosen to avoid that by moving to options that will give greater economies of scale, international backing, broader global acceptance and considerably lower costs than would have arisen through an attempted national-scale development.

## What to Expect

The future for card payments is exciting, with developments such as contactless card payments, person-to-person payments and mobile payments on the horizon and already beginning to happen. With these developments come security considerations, better customer authentication requirements and improved card technologies. While the solutions are available to Irish banks from the global card schemes, IPSO will remain as the representative body for its members, ensuring that the integrity of debit card payments is upheld.



More information: [Laser Card section of IPSO.ie](#)

# Financial Crimes Investigators of the World Descend on Dublin

Financial crimes investigators, including representatives from the US Secret Service, the US Marshals Service, senior police detectives from countries all over Europe and many other interested parties, gathered in Dublin on October 27th for the 2011 forum of the International Association of Financial Crimes Investigators (IAFCI). The event was opened with a speech by Detective Chief Superintendent Martin McLaughlin of the Garda Bureau of Fraud Investigation who outlined his appreciation for the successful collaboration between IPSO, the Gardaí and international peers in the continuing effort to drive down financial fraud.

IAFCI provides members with continuous cross-learning opportunities when new fraud trends and modus operandi are uncovered. It also provides members with a network of relevant contacts throughout the world which can be called upon to bring a fast resolution to international financial fraud cases. The benefits of this association are channelled to the Irish retail banks and the Gardaí through IPSO's membership of IAFCI. The information shared is managed in Ireland by Úna Dillon, chairman of the [IPSO Card Fraud Forum](#).



More information: [Card Services Section of IPSO.ie](#)

# Sigmar Prefers Paperless Payments

Valerie Whelehan, Sigmar Recruitment

Eschewing the traditional payment method of cheques in favour of the Electronic Funds Transfer (EFT), many organisations are updating their payment systems, as reported by Sigmar Credit Manager, Valerie Whelehan.

For businesses still at the mercy of the antiquated 'cheque and pen' system, the time is nigh to update payment methods. This outmoded system is time-consuming, labour-intensive and expensive, and there is no need for it anymore. In a virtual world that favours the simplicity, convenience and immediacy of e-business, it comes as no surprise that payments are moving from the more traditional, manual systems towards a paperless, electronic alternative. The current Sigmar payment method of choice, EFT, enables businesses and their customers to exchange money electronically. This electronic system now stands as one of the best cash management tools available to businesses and organisations such as Sigmar certainly welcome it for effective financial management.

## From the Payer's Perspective:

Electronic payments lower costs for payers by reducing operating expenses associated with writing cheques, manual processing, bank fees and charges and on the time spent reconciling accounts. From the payer's perspective, EFT also provides a convenient and cost-effective solution for processing multiple payments simultaneously. EFT is also safer and more reliable as it removes the risk associated with cheque fraud and forgery.

## From the Payee's Perspective:

Electronic payments make the credit controller's life much easier. Cleared funds are available sooner, with no need to wait for up to five days to clear a cheque. The old excuses such as 'awaiting cheque signatures', 'awaiting new cheque books' or 'the cheque is in the post' are no longer usable. Valuable time is saved when staff members no longer have to prepare cheque lodgements and make trips to the bank to deposit them.

## In Summary

Paying by electronic payment does present some challenges, such as ensuring the accuracy of the beneficiary bank account details for senders, and potential reconciliation issues for recipients. However, the many disadvantages of cheque usage, when assessed in conjunction with the benefits of electronic payments means that it is a 'no-brainer' for most businesses. And to top it all, there are no hidden costs associated with electronic payments, unlike the 50c per cheque stamp duty that applies to cheques which, in many cases, is charged when the cheques are issued rather than when they are used. The electronic way is the Sigmar way.



More information: [Sigmar.ie](#)

# A Giant "Leap" for Dublin Transport

John O'Flynn, Business Development Contracts Manager, Integrated Ticketing

Leap, a new integrated ticketing system for public transport, is going to make paying for travelling around Dublin much easier for commuters as well as for less frequent users of public transport. It will also contribute to a considerable reduction in cash usage, coin in particular. Customers will top up their smart cards with 'Travel Credit' and/or time-specific tickets at shops, Luas stops, or online. Their cards can then be used to pay for travel by holding it against an electronic reader. The readers are located on board buses, on Luas platforms, and in Irish Rail stations in Dublin's Short Hop Zone. The card will be durable and reusable so the customer will be able to repeat the cycle of topping-up and using as often as they like.

The core elements of the scheme are now being tested in a live environment. The back-office system has been delivered by IBM and is processing live transactions. The 'Top-Up' network and Luas, Irish Rail, and Dublin Bus smart card readers are currently being tested by users. Hewlett-Packard Ireland is contracted to operate the scheme. This includes providing a website, contact centre and managing the day-to-day back office processes. PayZone is providing the shop-based Top-Up network under sub-contract to Hewlett Packard.

The full scale customer roll-out will take place on a phased basis. The first stage is scheduled to take place later this year, subject to successful testing. It will allow customers to 'pay-as-you-go' on the participating transport operators. Once the system is up and running, additional, complementary services will be made available. These include the capacity to top up the smartcard with integrated time-specific tickets as well as a facility that can automatically top-up a user's card when it starts to run low on Travel Credit.



Integrated Ticketing Operations Manager, Barry Dorgan, uses a test integrated ticketing card on a Luas validator at Heuston Station, Dublin.

More information: [integratedticketing.ie](http://integratedticketing.ie)

## In Brief: Other Recent Headlines

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

### Google launches mobile wallet

Search engine giant Google has kicked off a new era in payments with the formal launch of its mobile wallet service and the announcement of new co-operation agreements with Visa, Discover and American Express.

Source: [Finextra](#)

### National Irish Bank launches banking application

National Irish Bank (NIB) has launched a free banking app, which allows customers to conduct all of their banking transactions on their smart phone. Customers can check account balances, pay bills, transfer money and monitor their spending.

Source: [National Irish Bank](#)

### UK Payments Council to set online authentication and Faster Payments standards

The UK Payments Council is to set mandatory minimum standards for Faster Payments and customer authentication for online and telephone banking under a new national payments plan.

Source: [Finextra](#)

### Interbank mobile payment services gateway

UK-based international payments company VocaLink has rolled out a new multi-channel gateway product that enables banks to offer customers interbank mobile payment services.

Source: [The Paypers](#)

### Criminals return to low-tech scams as online banking and card fraud losses fall

Fraud losses on UK cards and online banking fell during the first half of the year as new initiatives to combat criminal activity saw fraudsters return to low-tech scams involving cheques and socially-engineered telephone deception.

Source: [Finextra](#)

### Payzone & InComm bring gifts to retailers in time for Christmas shoppers

Payzone has announced a strategic agreement with InComm, a leading international provider of stored-value gift and prepaid products. The agreement will see both companies collaborate in the distribution and operation of a wide range of branded prepaid gift card products and digital content.

Source: [Payzone](#)

### Payments Council central biller database to improve the accuracy of payments made using online and telephone banking

The UK Payments Council has appointed Experian to create and maintain an industry database of corporate customers' payment information.

Source: [Finextra](#)

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