

**Address by the Minister for Finance at the launch of the National Payments
Strategy Conference
12 December 2006**

Ladies and Gentlemen,

Thank you for your kind invitation to open this **National Payments Strategy Conference**, the objective of which is to launch the **National Payments Implementation Programme** to the widest possible audience of payment industry stakeholders. This is the first conference of this nature where everyone involved is invited and encouraged to give their views.

We live at a time of rapid change and innovation and payment services are certainly to the fore of the wave of change. Developments in technology and software are enabling funds to be moved at both domestic and global level at the touch of a keyboard. Competitive pressures are forcing banks to exploit this technology so as to contain their operating costs. This is leading to demands to phase out national payments infrastructures and to replace them with a unified network that will facilitate cost-effective, electronic-based payments across the EU. The corollary of this is that the use of paper when effecting payments must be minimised, or even eliminated.

The National Payments Implementation Programme is an initiative of the Irish Payment Services Organisation (IPSO) and was started in November 2005. It has involved the gradual development of a partnership approach with the non-bank stakeholder community to develop a process for addressing the inefficiencies inherent in the manner in which payments are made in Ireland. An Advisory Group was formed and it was in this forum that the idea for this National Payments Strategy Conference was first discussed.

Three National Working Groups were created to focus on *cash, paper* (cheques) and *universal access to electronic payments*. The focus of attention for the National Cash Working Group was the consideration of alternatives to cash that are already in existence around the world. As discussions evolved it has been accepted that no one solution will provide the answer.

Progress in E-Payments strategy

So what contribution are Government Departments making to the e-payments strategy? Well, Government Departments certainly have their own strong motivations for getting rid of paper, and two of them – the Department of Agriculture and Food

and the Department of Social and Family Affairs - have medium-term deadlines to meet for the elimination of cheques.

The Department of Agriculture & Food has made significant strides in developing the use of e-payments over the past five years. Starting from a base of just 500 farmers who had their premia paid directly to their bank account as part of a pilot scheme in 2002, there are now over 66,000 farmers signed up to receive their payments from the Department by EFT.

Moreover, that Department has plans to further increase the use of electronic payments among farmers over the next year or so and this formed part of the Partnership Agreement, "Towards 2016", which was signed off recently with the Social Partners, some of whom, I believe, are represented here at today's conference.

The substantial progress made in recent years by the Department of Agriculture and Food in increasing the use of electronic methods of payments has been matched, if not even exceeded – at least in terms of sheer numbers of recipients – by the Department of Social and Family Affairs. Social welfare payments can be made electronically by one of two means, EFT at a financial institution of the customer's choice or by Electronic Information Transfer (EIT) at a post office of the customer's choice. At the end of September 2006 47% of all social welfare customers were paid electronically either at post offices or through banks and building societies.

The number of social welfare customers actually being paid by EFT has more than doubled from 18% in February 2001 to 37% in September 2006. The growth in EFT numbers has been attributed to a number of factors including;

- The increased use of electronic payments in business and society generally;
- The increased use of electronic banking and debit/credit cards at the personal level;
- The changing profile of customers across all schemes; and
- The rollout of the direct payment (EFT) option to more and more schemes.

An Post also provides an EFT option for people in receipt of certain social welfare payments. The EFT facility is available to people in receipt of social welfare long term payments that have their pensions paid into their An Post Pension Save accounts and to those in receipt of Child Benefit who have An Post Child Care Save account. Some 21,500 customers have opted to have their payments made by EFT to their An Post accounts. The An Post joint venture with Belgium bank Fortis will also offer additional EFT options for social welfare customers.

At a broader level, Government Departments and Offices generally are using electronic funds transfer extensively to make salary payments and it is intended they should, to the greatest possible extent, use it for other payments, including payments to suppliers, and as far as possible payments made under their schemes and programmes.

Other developments

There are some very significant developments underway at present in the payments area, but the public generally do not seem to be too aware as to how they will be affected by them. Or perhaps they are quite well aware and are quite relaxed about the transition to the new arrangements from next January.

What I have in mind here is that businesses will have to adopt the use of the IBAN, or International Bank Account Number, and the Bank Identifier Code (BIC), from 1 January next. This is part of a move by the European banking industry to upgrade the processing of cross-border payments in the EU. If these codes are not provided for the recipient's bank account, then it will not be possible for the payment to be made.

So, if Irish exporters don't ensure that their customers across the EU have their IBAN and BIC details, their customers will not be able to pay them electronically. Similarly, Irish importers will have to have the IBAN and BIC details of their EU suppliers if they want to pay for those supplies electronically. On the plus side, of course, use of these details will make pan-European payments more efficient and contribute to the smooth running of the internal market.

Single European Payments Area (Sepa)

This leads me on to the Single European Payments Area, or Sepa, project. This project represents the next major step towards closer European integration. The Sepa vision is to allow consumers to make non-cash euro payments to any beneficiary located anywhere in the euro area using a single bank account and a single set of payment instructions. All retail payments in euro will thereby become 'domestic', and there will no longer be any differentiation between national and cross-border payments within the euro area.

The advent of Sepa will also mean a new era of competition for banks themselves. Customers in one EU country will now be able to open an account with a bank located in another member state and to use a debit card issued by that foreign-based bank in the customer's home country or across the EU. Customers will thus be able to shop around for banking services beyond their own borders.

Payment Services Directive

The proposed Payment Services Directive, currently being negotiated in Brussels, will provide the statutory underpinning for Sepa. We fully support the recent call by Commissioner McCreevey to complete work on this Directive as quickly as possible, to provide the necessary legal certainty that industry needs in order to develop the Sepa concept and to market their financial services across the EU.

In a competitive financial services market, profitable financial institutions benefiting from low corporation tax rates are presumably in a position to offer a suite of services to their customers and support the intensified rollout of electronic payments.

Conclusion

The National Payments Implementation Programme which is being launched at today's conference must have at its core the benefits that can be delivered to consumers. I know that the greater certainty and transparency for customers that a

more efficient payments system can yield will be an important focus of your discussions.

I would like to congratulate IPSO and the Department of the Taoiseach on arranging this, the first National Payments Strategy Conference. I trust that you will have much fruitful discussion as you get through your agenda here today.