

## Welcome...

...to the latest IPSO newsletter which informs 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 two external contributions. The first details how one organisation went about automating its payments processes, the other discusses the challenges facing Irish businesses in the changeover to SEPA.

We always welcome and encourage your feedback. Details on how to contact us are on page four.

Enjoy Payments Today, Pat McLoughlin, CEO



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# Payment Card Data Security Standards and the Implications for Businesses

Úna Dillon, Head of IPSO Card Services



An increasingly important question for businesses that accept payment cards is whether or not the card information collected and stored through their shops is secure or whether someone could compromise card details from the till or from their online shopping websites.

## Evolution in Card Crime

In today's retail environment consumers are accustomed to using debit and credit cards to pay for their daily purchases. While Chip & PIN was successful in reducing counterfeiting and card skimming, there is an evolution in card crime with the emergence of card data breaches.

Thieves are finding new ways to steal consumers' personal information and, as a result, the payments industry has responded with a set of standards that help businesses to secure the card data they process (see [PCISecurityStandards.org](http://PCISecurityStandards.org)).

## Implications for Businesses

All businesses, regardless of size, that accept payment cards are required to comply with these standards.

Why should retailers comply? It is a requirement like implementing Chip & PIN. While IPSO managed the roll-out of Chip & PIN cards and terminals, some retailers persisted with an "I have never had fraud so I'm not investing in this" view. Those shops were subsequently targeted by criminals as they became known as easy compromise points.

## Cost of Non-compliance

According to the experts in data security, non-compliance with the industry standards for data security costs nearly three times more than compliance. Complying with the standards incurs obvious costs such as implementing the required data security measures and having regular assessments carried out.

Retailers that do not meet the industry standards risk compromising their customers' details and should consider the potential reputational damage, as well as the penalties that are imposed which can be significant enough to shut down a business.

Retailers should treat the information they are storing as they would their own card credentials, their bank account details and online banking access codes and those of their family members – and consider if their shop is secured sufficiently to ensure that this information cannot be stolen.

## Points to Note

- Retailers should discuss how to comply with the industry data security standards with their card processors
- Retailers should not assume their customer data is secure just because it has not yet been compromised
- Data security assessments should be carried out regularly. Any one evaluation is a point-in-time synopsis of data security requirements. Even if a data security assessment was carried out 6 months ago and compliance was certified – the business may no longer be compliant today

More information:

[Card Security Developments](#) section of [IPSO.ie](http://IPSO.ie)



## Did You Know? What's Available on the IPSO Website

Jennifer Chamberlaine,  
Marketing Manager

- The Business Centre provides information on everything from how to become a direct debit originator to safely accepting card payments. Answers to the most important payment questions are included in the 'FAQ' and 'Did You Know?' sections
- The new Industry Statistics section has the latest Irish and EU payment statistics including 30 sets of statistical insights, analyses and graphs
- Members of the public can check and download the National Sort Code Database and the account validation area provides a means to go online and check sort code and account number validity
- News on IPSO events, announcements and payment matters generally is available as it happens from the news section and by subscribing to this newsletter
- The Consumer Corner has a guide to the safe use of direct debits, cards and electronic payments together with other payment information, FAQs and a section on financial information security



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

## Electronic Payment Success for the Courts Service

Sean Quigley, Head of Resource Management, Courts Service

Sean Quigley outlines the Service's experience in moving from paper-based payments in over 40 local district court offices to a highly automated and centralised operation over recent years.

The following are some of the many benefits that have been realised:

1. Improved customer services through improved quality, choice and timeliness
2. Improved value for money through increased efficiencies and effectiveness in respect of the financial operations of the district courts
3. Resources that were freed up have been redeployed to improve service delivery of front-line services
4. Delivered on e-Government initiatives
5. Improved control environment by reducing the volume of cash transactions in local offices
6. Improved work environment for staff by removing labour intensive, low value-added tasks
7. Improved overall management and effectiveness of the fines administration and collection process

### How it was Achieved

The Courts Service recognised the inefficiency in the manual system operating in their 44 district court offices located throughout the country. These offices processed in excess of 700,000 financial transactions annually with a value of some €90m. These transactions related to fines, fees, bail and family law maintenance. Additionally, they restricted our ability to improve customer service and were a barrier to complying with e-Government initiatives.

A project was launched in 2007 to rectify these deficiencies. One of the features of the project was the establishment of a Shared Service Centre for the purpose of automating and centralising these processes. This approach enabled very significant economies of scale to be achieved, together with a number of other business improvements through optimising the use of technology with significant benefits for both the Service and its customers.



The technology facilitated the introduction of an EFT payment facility for family law maintenance.

### Result

Of the 200,000 payments issued annually, 92% are now issued via EFT instead of being issued as hand-written cheques.

In addition, we introduced an online facility for the payment of court-imposed fines. The use of this facility has grown steadily since its introduction in 2008. In 2010, over 68,000 fines were paid to the Courts Service. Currently 26% of all fines paid are paid online. This has also taken a huge amount of paperwork and cheques out of the system.

Yet another beneficial by-product of the improvements to the fines collection process has been a significant improvement in the compliance rate for the payment of court imposed fines.

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

## IPSO's Annual Review

IPSO is about to launch its 2010 Annual Review which includes:

- A look back at the Irish Payments Industry in 2010
- The latest statistics for paper, electronic, ATM and card transactions for both Ireland and the EU
- Clearing company and scheme developments
- An update on card payments
- An overview of SEPA and other developments that shape the industry
- IPSO's representative role

The 2010 Annual Review will be available to download from the IPSO website.

More information: [Publications & Reports section of IPSO.ie](#)



## Modernising Ireland's Electronic Payments Infrastructure

Mick O'Neill, SEPA Programme Manager

### Irish Banks Choose EBA STEP2 to Deliver Next Day Value Payments and to Settle the Daily EFT Clearing

When the European Communities (Payment Services) Regulations entered into force in November 2009, payment service users were granted new rights in relation to how payments would be processed by PSPs (payment service providers, primarily banks). One of the most important provisions, from a bank customer perspective, is the new timeline for making payments. From the 1st January next, PSPs must ensure that payments are delivered to the account of the beneficiary no later than the next business day. When defining the business requirements to ensure that the Irish banks were compliant with the legislation, IPSO was asked to review how the current settlement process could be improved and whether the risk associated with settlement could be eliminated. Today, Irish banks exchange their daily electronic transactions mid-afternoon, process the transactions overnight and settle in the Central Bank on the next business day.

IPSO and its member banks started work on this project in mid-2010 and in November announced that they had chosen the EBA STEP2 platform to carry out the daily interbank settlement of the electronic clearing. From September, banks will establish a cut-off time near the end of the business day and transactions processed before this cut-off will be guaranteed to be in the beneficiary account for next day value. Banks will continue to exchange their transaction files bilaterally and, at the same time, will now send a new interbank settlement file to EBA STEP2 which will calculate a net settlement position for each bank. Settlement will be carried out at 19:00 each evening after which the banks will be able to process their electronic payments with no settlement risk.

This move is a major step in Ireland's migration to SEPA and positions the Irish banks to deliver next day value payments, both domestically and across SEPA, whilst also eliminating the associated settlement risk.

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



# The Rise of Debit Cards in Ireland

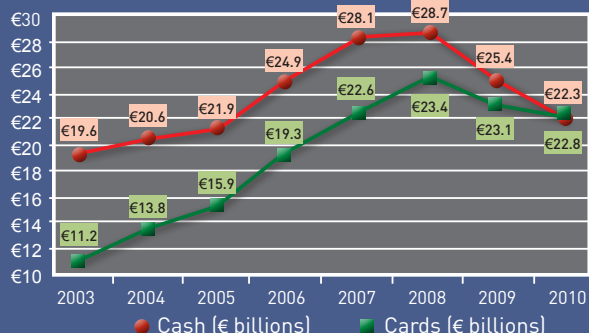
Russell Burke, Head of Strategic Development

*"It took only four years for the number of transactions in Ireland to go from 100 million to 200 million - I predict that the next 100 million transactions will be achieved in only two to three years"*

Introduced in Ireland only just over a decade ago, initially as an alternative for personal cheques, debit cards are becoming ever more popular.

- There are now almost twice as many debit card as credit card transactions
- Debit card transactions now outnumber ATM withdrawals
- There are 1.2 million more debit cards than credit cards
- In the last five years ten times more new debit cards than credit cards were issued

ATM Cards V. Cards (Value)

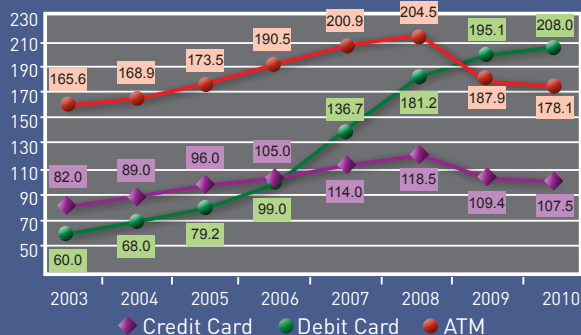


## Changing Habits

The way payments are made in Ireland is evolving. As businesses move from cheques to electronic transfers, consumers are turning more to debit cards for their everyday payments. The value of card transactions now exceeds the total value of cash that we withdraw from our ATMs. This is largely being driven by increased debit card activity for the payment of goods and services as both consumers and retailers are ever more comfortable with debit card as a preferred choice of payment method.

*"The rise of debit card is also apparent in many other European countries, the USA and in many other markets around the world."*

No. of Transactions



## People Like Debit Cards

Evidence of the increasing popularity of debit cards is supported by some compelling statistics:

- The overall value of debit card transactions in Ireland is now greater than that of credit cards
- 17% more debit card transactions than ATM withdrawals
- Since 2003, the number of debit cards in Ireland has grown from 1 million to 3.4 million
- The number of debit transactions has risen from 60 million to 208 million, with value rising from €3.7 billion to €11.5 billion
- In the same period, the value of credit card transactions increased from €7.9 billion to €11.3 billion
- ATM withdrawals increased from €19.6 billion to €22.3 billion in the same period

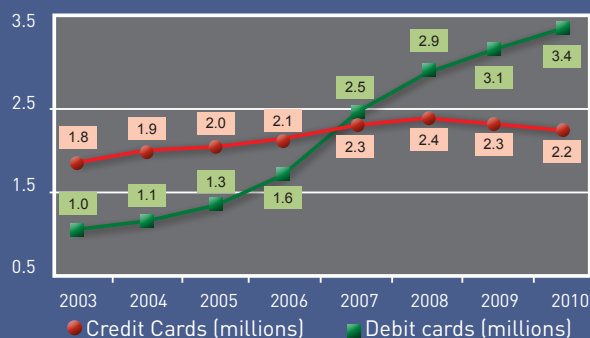
## Why has the Debit Card Become so Popular?

Debit cards lessen consumers' dependence on cash. Many debit card schemes offer cash-back facilities, reducing the need to carry cash and visit ATMs. It appears that in tougher economic times, people prefer to use their debit cards to spend what they have, rather than use credit.



For retailers, trips to the bank are avoided as debit card payments are paid electronically into their accounts. Debit cards reduce the need for retailers to store, secure and transport cash.

No. of Payment Cards



## The Future of Debit Cards

The rise of debit card popularity is not unique to Ireland. This phenomenon is also apparent in many other European countries, the USA and in many other markets around the world. It is quite likely that this trend will continue, particularly as new technology and innovation makes it both more convenient and more secure to use debit cards.

- Contactless technology is being rolled out in many countries. This allows for a simple 'wave' or 'tap' of the card to complete low value payments (e.g. when paying for a coffee or a sandwich), significantly speeding up the transaction for both consumer and retailer
- The use of debit cards for online transactions is also increasing and most of the major card schemes are introducing extra security (e.g. 3D-Secure) for remote card transactions to prevent fraud
- Mobile payments - As mobile transactions increase it will be vitally important that mobile payments are just as secure as those in other channels. An even more exciting development is that as phones are being designed with the same NFC (Near Field Communications) technology as contactless cards, users will be able to use their phone, rather than the card itself, for making payments at merchant terminals

While cash is not expected to disappear any time soon, it is very likely that less costly, more efficient electronic alternatives will continue to displace its usage, particularly in the retail sector. Debit cards appear to be the instrument of choice for many, and while it took only four years for the number of transactions in Ireland to go from 100 million to 200 million, I predict that the next 100 million transactions will be achieved in only two to three years.



More information: [Industry Statistics section of IPSO.ie](http://www.ipsos.com/industry-statistics)

# Preparing for SEPA

Brian Hanrahan, Vice President, Sales & Marketing at Sentenial

- Ireland/Europe is moving to BIC & IBAN
- Businesses need to prepare by updating existing payment systems
- Final date for migration is yet to be determined but is expected to be 2014



Sentenial

## The Move to SEPA

In the last edition of IPSO Payments Today we were updated on the current position regarding SEPA (Single Euro Payments Area). At present it looks like dates will soon be set by European Parliament when the current payment systems used for electronic credit transfers and direct debits within Ireland will be retired in favour of their SEPA equivalent. The immediate consequence of this is that corporate users of these payment methods may need to update both their systems and procedures to bring them into line with those of SEPA.

## System Changes

One area of concern is the move to the use of BIC (Bank Identifier Code) and IBAN (International Bank Account Number) instead of the use of national sort code and account number. Existing account numbers are eight digits long but (Irish) IBANs are 22, so systems will need to be able to accommodate this.

SEPA also uses a different language, existing 'flat' files may have to be replaced with XML files that comply with ISO 20022, the standard adopted for SEPA.

It is true that some systems vendors will release updates to meet the new standards but many businesses may not be able to apply such updates or may be using systems that fall outside of any updating procedure and will therefore need to plan accordingly.

## Procedural Changes

For users of electronic credit transfers (apart from the use of BIC and IBAN) there are only minor changes to the process, mainly relating to the timings around the payment cycle.

For direct debit users the changes are more significant. Under SEPA the corporate/originator becomes solely responsible for storing and maintaining the mandates used for each payer. The corporate/originator now has to add system capability to manage mandates on top of the existing processes used to collect money against them. Many organisations using direct debits are small in scale, sometimes just using spreadsheets to control their collections, and it is here where it is less likely that there will be system updates available to them.

## Migration

As the structure of the data used changes with SEPA, there is a need to convert the data currently held by businesses into a format suitable for SEPA. In some environments this process is straightforward, however some will need a helping hand with both extracting the legacy data and converting to the new.

## Assistance

While the take-up of SEPA is currently still quite low, there is growing experience in the market place on how to effectively achieve SEPA compliance, which can be used to make the process smooth and painless. It should also be noted that, as SEPA is already up and running, businesses keen to take advantage of the new features need not wait until the deadline is set.

More information: [SEPA section of IPSO.ie](#) / [Sentenial.com](#)

## In Brief: Other Recent Headlines

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

### London2012 Olympics: Ukash, 3V Transaction Services join forces to offer e-cash option

UK voucher-based Ukash has entered a partnership with Irish online payment company 3V Transaction Services to enable consumers to buy 2012 Olympic Games tickets with e-cash

Source: [The Paypers](#)

### Tiger kidnappings have nearly doubled over five-year period

The new figures disclosed that kidnappings and related offences almost doubled from 74 to 146 – despite a decrease in 10 out of 14 other serious crime types.

Source: [Irish Independent](#)

### EPC sets out SEPA Mobile Payments Guidelines

Banking representative body the European Payments Council (EPC) has released a set of guidelines for mobile contactless transactions in the Single Euro Payments Area (SEPA).

Source: [Finextra](#)

### McDonald's launches contactless payment across UK

In a move to improve the customer experience, fast food giant McDonald's will be introducing contactless payment technology into all its restaurants by the end of May 2011.

Source: [Computing.co.uk](#)

### Postfone links up with Payzone to extend Top Up service

Payzone, has announced an agreement with Postfone, to provide phone top-up services for customers using Payzone's retail terminals in 1,500 Payzone retail agents throughout Ireland.

Source: [Payzone.ie](#)



## Acknowledgements:

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