

CP156: CBI to Revamp its Financial Services and Fintech Innovation Framework

On 8 November 2023, the Central Bank of Ireland ("Central Bank") issued a consultation paper on its approach to innovation engagement in financial services ("CP156"). This is in recognition of Ireland's position as an international hub for financial services and fintech in particular.

CP156 outlines the Central Bank's current and proposed engagement approaches with innovators and stakeholders in the fintech ecosystem. It also seeks feedback from interested parties on the proposed enhancements to the Innovation Hub and the establishment of a new Innovation Sandbox Programme ("Sandbox Programme").

Central Bank's Approach

The Central Bank's approach to innovation is focused on balancing the potential benefits and risks of innovation for the financial system, consumers and the economy. It aims to anticipate and support innovation in financial services while maintaining a high-quality regulatory framework.

The Central Bank is striving to facilitate a deeper engagement on innovation across all aspects of the financial services ecosystem. The Central Bank considers that, by obtaining a better understanding of fintech innovation, it will be better placed to assist in the delivery better outcomes for consumers and the economy.

Innovation Hub

The current engagement approach includes the Innovation Hub (which was established in 2018 and has facilitated 375 engagements to date); an outreach programme (which involves participation in industry events) and forums; and engagement with EU and international peers (which allows the Central Bank to learn from other regulators' approaches and share best practices).

The feedback from stakeholders on these approaches has been positive but there has been demand for greater structure in the engagement with the Innovation Hub as well as calls for a sandbox environment to facilitate testing of innovative products.

The proposed enhancements to the Innovation Hub include:

- (a) a more structured engagement process;
- (b) enhanced outreach events and regional focus;
- (c) participation in sector programmes and EU and international forums; and
- (d) the launch of a "Digital Centre" for knowledge sharing on innovation matters.

Innovation Sandbox Programme

The proposed Sandbox Programme aims to engage innovators through existing innovation programmes, such as accelerators and incubators, and focus on specific innovation

themes that have potential for positive outcomes in financial services.

The objectives are to increase the Central Bank's knowledge of emerging innovations, assist firms in developing and testing their solutions, identify potential risks and regulatory gaps, facilitate solutions to address them, and evolve the regulatory framework.

The Sandbox Programme will not provide any derogations or waivers from regulatory requirements and will not involve any digital testing of products with consumers.

There is an intention for the Central Bank to share outcomes of all sandbox activity with stakeholders annually.

The enhancements to the Innovation Hub and development of the Sandbox Programme will be industry funded.

Feedback and Timing

CP156 invites feedback from interested parties on the proposed enhancements to the Innovation Hub and the establishment of the Sandbox Programme. It also asks for suggestions on the potential themes for the Sandbox Programme and the operating model details.

The consultation period runs until 8 February 2024.

Further Information

Further information on our Irish Financial Services Regulatory Group and the services we provide is available on our website¹ and in our FSR² and FinTech³ brochures. If you would like further information, please liaise with your usual Maples Group contact or the persons below.

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