



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Feedback Statement – Consultation Paper 156

Central Bank of Ireland
approach to innovation
engagement in financial services

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Introduction

The mission of the Central Bank is to serve the public interest by maintaining monetary and financial stability while ensuring that the financial system operates in the best interests of consumers and the wider economy.

The Central Bank's multi-year Strategy underscores our commitment and ambition to be future-focused by adopting a forward-looking approach so that we anticipate and respond proactively to changes in the economy and financial system.

Innovation in financial services has the capacity to bring many benefits to consumers, businesses and society. It is essential for a competitive economy and a well-functioning financial system. It is also important to the continued effective functioning of the financial system in supporting the economy and delivering for consumers. We need to be able to harness the benefits of innovation while also managing the risks. It is only by adequately managing these risks that we can fully benefit from the opportunities. This is the challenge for us all – regulators, industry and innovators alike.

We are embracing this challenge and playing our part in fostering innovation, and in ensuring effective risk management by prioritising a deeper engagement with innovation across the financial sector that nurtures outcomes for public good and to learn, and to be open to new ideas and new ways of engaging with innovators.

To that end, we published Consultation Paper CP156: "Central Bank approach to innovation engagement in financial services" setting out the proposed enhancements to the approach by which we engage with the innovation ecosystem¹ and seek to promote better outcomes for society and the financial system.

We consulted on proposals to evolve our approach by:

¹ Innovation Ecosystem is a broad term to cover all stakeholders involved in innovation including *inter alia* innovators, facilitators, industry and professional bodies, consumer advocacy groups and academic institutions.

1. Enhancing our Innovation Hub to deliver deeper, clearer and more informed engagement with the innovation ecosystem.
2. Establishing an Innovation Sandbox Programme, which will involve informing the early stage development of selected innovative initiatives (which are consistent with public policy objectives) by providing regulatory advice and support within the programme.

Our engagement initiatives will enable the Central Bank to anticipate and to support innovation in the financial sector, in line with our mandate by:

- Deepening our understanding of innovation in the financial services sector, so that we can better understand the opportunities and risks for consumers and the economy;
- Better informing our regulatory approach, allowing us to ensure the proper and effective regulation of financial services providers and markets, aligned with a well-functioning financial system based on appropriate levels of competition and innovation;
- Better explaining to innovative firms what being regulated entails so firms can build regulatory requirements and safeguards into their early stage development; and
- Embedding a regulatory culture in fledgling and fast growing firms to ensure they are properly prepared for the responsibilities that come as regulated firms, as well as properly run once authorised.

The three-month public consultation period closed on 8 February 2024. During the consultation period, the Central Bank undertook an extensive engagement and communication plan resulting in:

- 26 information sessions held (either in person or virtually) with various stakeholders across the innovation ecosystem.
- An in-depth discussion at the Central Bank Industry Forum – Innovation Subgroup².

² The Innovation Subgroup was founded in 2023 with the purpose of facilitating strategic dialogue between the Central Bank and the financial sector on the ongoing enhancement of innovation in the financial system. Additional information can be found [here](#).

- A Social Media communication plan across LinkedIn and X.

Arising from this engagement, we received 27³ responses to the consultation. The submissions can be broken down as follows:

- 12 industry representative groups and professional bodies;
- 10 individual firms;
- 2 innovation facilitators;
- 1 academic institution; and
- 2 consumer advocacy/civil society groups.

The Consultation Paper posed four questions to respondents. This feedback statement summarises the responses to each question, as well as addressing additional comments received from respondents, along with the final enhancements to the Central Bank's engagement models. It is intended that this feedback statement be read in conjunction with CP156, which can be found on the Central Bank's website [here](#). All responses are also available on the Central Bank website.

The Central Bank would like to thank all parties who took the time to make a submission to CP156 and engaged with us during the consultation period.

Summary of Feedback

The engagement with stakeholders during the consultation period was both supportive of and informative of the proposed approach. The feedback received regarding the ongoing enhancements of the Innovation Hub and the development of a Digital Knowledge Centre has been predominantly positive, reflecting significant strides being taken by the Central Bank in how it engages with innovators and the wider ecosystem. Support for the innovation engagement approach has been strong, particularly regarding the proposed engagement and outreach programme, including collaborative and thematic roundtables, to bring diverse perspectives on key emerging innovation themes.

³ Appendix 1 provides details on the responses received to the consultation CP156.

The feedback reflects a positive endorsement of the enhancements underway in the Innovation Hub, with respondents advocating for continued engagement, inclusivity, and transparency to drive innovation within the Central Bank and across the financial services ecosystem.

Stakeholders were also clear in their support for the Central Bank's ambition to create an Innovation Sandbox Programme for the benefit of the innovation ecosystem and respondents see it as a positive and timely step towards fostering innovation. The proposed programme, as outlined in the Consultation Paper, and enhanced in certain areas to incorporate respondent's feedback, will provide regulatory advice and support for participants while adopting a thematic approach in engaging with innovation. Given the predominantly EU-basis of most regulatory requirements, combined with the importance of protecting consumers interests, we do not propose to provide derogations or waivers from regulation. The sandbox will seek to apply the regulatory framework proportionally, with an outcome focused, risk based approach.

The Innovation Sandbox Programme will be outcomes focused. It will aim to enhance and support innovative technology outcomes, to facilitate the mutual understanding and development of new ventures, innovative business models, and new ways of serving customers. This may potentially expedite the deployment of substantially new technologies, new products, or new services across the innovation ecosystem. The programme will also provide valuable internal learnings for the Central Bank regarding the benefits and risks of innovative technologies, and the implications of regulatory frameworks on emerging technologies and business models aligning with the Central Bank's strategy of being future-focused, open, engaged, and transforming.

While supportive of the establishment of an Innovation Sandbox Programme, respondents make several recommendations for improvement and requests for clarity on its operation. Taking this feedback into account, we have made some changes to the proposed approach. These changes include the following:

1. Increasing the duration of the Innovation Sandbox Programme; and

2. Removing the original proposal to operate the sandbox in conjunction with a third party.

In addition, the Central Bank will continue to explore the feasibility of providing access to relevant data sets to support the operation of the Innovation Sandbox Programme.

Proposal 1: Engagement with the Ecosystem - Enhancing the Innovation Hub

The proposal outlined in the consultation was to enhance the Innovation Hub to deliver deeper, clearer and more informed engagement with the innovation ecosystem.

Building on the success of the Innovation Hub to date, we have undertaken a number of enhancements to the Innovation Hub with a focus on creating a more structured engagement process for all Innovation Hub engagements. This structured process sets out clear timelines for Innovation Hub engagement and relevant information, including Central Bank expectations. Such process will include, where relevant, a follow-up engagement by the Innovation Hub.

The Central Bank will continue to enhance the Innovation Hub's outreach programme to discuss learnings and trends with the innovation ecosystem, with an increased focus on regional engagements to support innovation across Ireland and to promote Innovation Hub activities.

The Central Bank will also look to participate more in relevant Irish, EU or international sector/theme specific programmes and relevant EU and international forums. This, along with participation in future events such as Hackathons, Incubators, market-led skill programmes, and Tech Sprints will help us to gain insights into the latest developments around innovation.

We have updated the Central Bank Innovation Hub webpage, to provide clear and relevant information outlining our approach to innovation and how to engage with the Central Bank. We have also launched our first phase of the Digital Knowledge Centre for sharing dedicated content on the Central Bank's website. It will include links to relevant information from regulatory peers by linking to similar knowledge hubs and digital platforms

such as the Bank for International Settlements' Innovation Hub, European Supervisory Authorities and the European Digital Finance Platform.

As outlined above, a number of actions are actively in progress and rollout will continue throughout 2024.

Question 1a: What is your feedback on the enhancements underway with the Innovation Hub?

The feedback regarding the ongoing enhancements in the Innovation Hub has been positive, reflecting significant strides being taken by the Central Bank in how it engages with innovators. Notably, stakeholders have responded favorably to the clarification that the Innovation Hub's scope includes all sectors and scales of innovation, removing a perception that it was previously limited to early-stage fintech companies.

Support has also been strong regarding collaborative and thematic roundtables, which foster engagement with innovation ecosystem players to bring diverse perspectives on key themes and to share learnings and trends. Additionally, the Innovation Hub's information facilities have received strong support, particularly the accessibility to regulatory information and approach proposed through the development of the Digital Knowledge Centre.

The feedback emphasised the need for the Central Bank to share internally the outcome(s) of the engagement approach. Feedback also highlights the importance of informing Central Bank staff of innovation trends and developments. Strengthening relationships with industry stakeholders and facilitating real-time exchanges of information between the public and private sectors are also important to the respondents.

In conclusion, the feedback reflects a positive reception of the enhancements underway in the Innovation Hub, with stakeholders advocating for continued engagement, inclusivity, and transparency to drive innovation within the Central Bank and across the innovation ecosystem.

Question 1b: Are there other areas that should be developed?

The exploration of additional areas for development within the Innovation Hub has revealed a range of opportunities to enhance its efficacy and impact.

Additional initiatives and enhancements proposed through the consultation include:

- **Innovation Radar:** Two representative associations proposed formalising the recent industry proposal of developing an Innovation Radar, which was presented to the Central Bank's Industry Forum Innovation Subgroup, with the Central Bank having a supporting role in informing and engaging on trends.

Central Bank Response: The Central Bank welcomes and supports the development by the financial services industry of the Innovation Radar and will engage with those developments via the [Central Bank Industry Forum Innovation Subgroup](#).

- **Peer Matching:** Two respondents proposed implementing a Peer Matching system for new firms seeking authorisation, which would allow engagement with regulated firms who have experienced the authorisation process, facilitating knowledge sharing and mentorship.

Central Bank Response: The Central Bank does not propose developing a Peer Matching system but would encourage that such peer conversations are facilitated within the innovation ecosystem.

- **Financial Vulnerability and Financial Literacy Focus:** Some respondents proposed incorporating a strong focus on financial vulnerability within the Innovation Hub and Sandbox framework to address emerging challenges effectively.

Central Bank Response: The Central Bank's innovation engagement proposals seek to facilitate both individual firms and thematic approaches where suitable. The suggested thematic approach may be more suited to the Innovation Sandbox

Programme. Themes such as Financial Vulnerability and Literacy will be important areas of exploration for the ecosystem. In addition, the Central Bank is undertaking significant work in the area of Financial Vulnerability. In that regard, the recent Central Bank [Consultation paper on the Consumer Protection Code](#) places a heavy emphasis on supporting customers in Vulnerable Circumstances.

- **Advisory Committee Formation:** Several respondents recommended the establishment of an advisory committee comprising representatives from the Central Bank Financial Industry Forum's Innovation Subgroup to ensure alignment of Innovation Hub activities with industry needs.

Central Bank Response: In 2023, the Central Bank set up the Industry Forum Innovation Subgroup, and since its inception this engagement has facilitated valuable information sharing and co-operation. The purpose of the Innovation Subgroup is to facilitate strategic two way dialogue between the Central Bank and the financial sector on the ongoing enhancement of innovation in the financial system and has appropriate representation from across the innovation ecosystem. In addition to engagement with the Innovation Subgroup, we will continue to engage with stakeholders across the entire innovation ecosystem. This approach to engagement will ensure that the Innovation Hub activities are aligned to consumer and financial system needs and as such, an additional advisory committee is not considered necessary.

Proposal 2: Targeted Engagement with the Ecosystem: A New Innovation Sandbox Programme

The Consultation Paper set out a significant new proposal to establish an Innovation Sandbox Programme aimed at accelerating the development of innovative projects and firms and promoting the quality and safety of specific innovations. The Innovation Sandbox Programme seeks to enhance

and support innovative technology outcomes while facilitating the development of new ventures and new business models that aim to solve for the chosen Sandbox theme.

We proposed that the Innovation Sandbox Programme would provide regulatory advice and support and allow innovative firms engage with the regulatory framework in a clear and transparent way. The Innovation Sandbox Programme would seek to support the development of innovations that promote better outcomes for society and the financial system. In addition, we proposed that we would take a thematic approach in engaging with innovation via this new facility.

We asked two questions on the establishment and operation of an Innovation Sandbox Programme. The majority of respondents provided feedback in its totality, therefore we address this feedback below as one overall area covering the Innovation Sandbox Programme objectives and operating model as outlined in Questions 2 and 3.

Question 2: What is your feedback on the proposal to establish an Innovation Sandbox Programme? Will the proposal support the Central Bank in meeting our overall objectives, including the needs of consumers and the wider economy?

Question 3: What is your feedback on the operating model of the Innovation Sandbox Programme?

Stakeholders were generally very supportive of the proposed Innovation Sandbox Programme and saw it as a positive step towards fostering innovation allowing valuable engagement with the Central Bank and relevant regulatory frameworks. Many of the respondents acknowledged that an Innovation Sandbox Programme could help foster a culture of innovation and encourage the development of new products and services that benefit consumers and the economy as a whole.

Whilst it is evident that the innovation ecosystem broadly welcomes the establishment of an Innovation Sandbox Programme, there are a number of recommendations for improvement, all specifically focussed on the operating model, including the extension of the duration of the programme, the need for a third party provider and the ability to conduct testing.

Some respondents questioned whether aspects of the sandbox model as proposed would fully deliver for the needs of the innovation ecosystem. They queried the impact and wondered about uptake levels. Key areas of feedback centre around the need for an extended timeframe for the programme, continuous live customer testing, an always open approach, transparency in theme selection, third-party operator selection, clarity on costs, regular reviews for effectiveness, and the inclusion of consumers in the process.

It is true that the mere existence of a sandbox will not yield significant benefits. It will be important that the innovation ecosystem responds to the opportunity and that stakeholder's play a full role in realising the benefits. We consider that embedding a strong outcomes focus, reflected in an agile and learning-by-doing approach, provides an optimal basis for success.

A summary of the feedback from respondents for Question 2 and 3 regarding the Innovation Sandbox Programme is outlined below:

Extended Timeframe of the Innovation Sandbox Programme:

Some respondents highlighted the need for an extension of the timeframe of the proposed Innovation Sandbox Programme to ensure that emerging innovations are observed over a longer period of time.

Central Bank Response: This was a recurring theme that emerged in the engagement meetings during the consultation period and in a number of respondents' submissions. It is the intention of the Central Bank that the Innovation Sandbox Programme would provide a robust programme over a specified period of time. This allows participants to observe how the innovative solution would interact with the current regulatory and supervisory frameworks and to consider the implications of any unintended barriers within the framework where possible. We recognise that innovation takes time and that for both the Central Bank and the innovator it is important to allow the innovation develop and understand how the regulatory framework applies through each stage of its maturity. With that approach in mind and having considered the feedback

received, the duration of the Innovation Sandbox Programme will be a minimum period of six months, to be effective in delivery of its objectives.

Digital Testing: Many stakeholders emphasised the need for digital testing and access to data in a Sandbox Programme, highlighting its importance in facilitating innovation and regulatory compliance.

Central Bank Response: The Central Bank is committed to ensuring that the Innovation Sandbox Programme delivers by supporting innovation that benefits consumers, businesses, and the economy while addressing the risks. We believe the Innovation Sandbox Programme as proposed will deliver significant value by providing regulatory advice and support. In addition, we see merit in continuing to explore the feasibility of providing access to relevant data sets to support the objectives of the Innovation Sandbox Programme further. The Central Bank is committed to assessing and iterating the model as needed for subsequent programmes.

Regulatory Derogation or Waivers: Some respondents suggested that the absence of regulatory waivers will restrict the effectiveness of the Innovation Sandbox Programme, and have called for some regulatory flexibility for customer testing purposes that they believe would not compromise the Central Bank's mandate.

Central Bank Response: The Central Bank's position remains that we will not provide regulatory derogations or waivers. However, during engagement with participants in the Innovation Sandbox Programme, we will seek to apply the regulatory framework proportionally with an outcome focused, risk-based approach, on a case-by-case basis. We believe that application of waivers to a small number of firms could create potential or perceived level playing field issues and thus disadvantage firms outside of the Programme, at this time.

Third-party involvement: In the initial proposal, we proposed that third party innovation support may be required to support the Innovation Sandbox Programme and provide participants with access to funding and business model expertise in addition to access to physical space. Through engagement with innovators, during the consultation process, we observed mixed views on this approach. In addition, respondents did not call this out as a key enabler of the Innovation Sandbox Programme. Some respondents were not in favour of having a third party involved, as it would potentially reduce the attractiveness or intent of the programme. Their concerns focused around potential conflicts of interest, significant lead times and risks to the confidentiality of the engagement.

Central Bank Response: Taking on board respondent's feedback and the extensive engagement throughout the consultation period, the Central Bank has determined that we will manage the Innovation Sandbox Programme in-house to ensure there are no conflicts of interest or confidentiality issues. The Central Bank will be responsible for the programme management and participant engagement throughout the duration of the programme. We will remove the inclusion of the partnership with a third party from the Innovation Sandbox Programme. We will remain open to work with innovation facilities across the Central Bank innovation agenda and in support of the innovation ecosystem for all programmes and projects operated in the Innovation Sandbox Programme.

Governance, transparency and fairness: Many respondents called for the inclusion of industry representation in governance structures to ensure a structured approach aligned with industry needs. Respondents observed the need for transparency in the processes of theme selection, third-party operator selection, and applicant's eligibility criteria in the respondent's view.

Central Bank Response: A key priority of the Central Bank is to ensure a transparent application process and to share outcomes of sandbox activities with stakeholders on an annual basis. At each

stage of the Innovation Sandbox Programme the Central Bank will be clear in communications with stakeholders. In addition, we have launched a new dedicated Innovation section on the Central Bank website and we will provide access to relevant information. Further, we will ensure that any Innovation Sandbox Programme respects the IP of all participants and we will work with participants to ensure that no sharing of confidential or propriety information occurs outside of the programme or with any other participants within the programme.

Iteration and Measurement: Many stakeholders advocate for an iterative approach to the Innovation Sandbox Programme that allows for adaptability and agility noting the sandbox as proposed is a good first iteration. Some respondents called for the development of a robust measurement of the success of the Innovation Sandbox Programme to ensure continuous value add and iterations of the Innovation Sandbox Programme.

Central Bank Response: The Central Bank is committed to providing transparency on outcomes for each programme, complemented by review and learnings for each cohort. The methodology and delivery of the programmes will be subject to continuous assessment and impact review to ensure the Innovation Sandbox Programme delivers for its participants, the Central Bank and the public good. Best practice in the majority of sandbox programmes emphasise an iterative approach that adapts to learnings as each programme is completed and we propose effective detailed review and implementation of learnings as we progress. This approach will ensure that the Innovation Sandbox Programme continues to evolve with the needs of the innovation ecosystem, the Central Bank and serving public interest. The Central Bank will continue to publish an annual report on its innovation related activities.

Relevance to Larger Companies: Whilst supportive of the Innovation Sandbox Programme, some stakeholders stress the importance of ensuring its relevance for larger companies and established firms, focusing on new business models and/or the new methods of delivering products and services rather than just focussing on new technologies.

Central Bank Response: As we stated in the Consultation Paper 156, the Innovation Sandbox Programme aims to provide innovators, both incumbents and new entrants, with access to regulatory advice and support. We intend that the Innovation Sandbox Programme will be open to a wide range of applications from all sectors of the financial system, such as authorised firms, start-ups, new entrants, and academic projects. In rolling out the first Innovation Sandbox Programme, we will endeavour to ensure that it is sufficiently visible and accessible to all of the innovation ecosystem.

In addition, the Innovation Hub is now live with enhanced selection criteria to ensure larger firms are aware of the Central Bank's intention to engage with them. We will ensure that the Innovation Sandbox Programme is promoted on this basis also.

Always Open Approach: Many respondents suggested an "always open" approach to the Innovation Sandbox Programme, providing flexibility for applicants and allowing firms to apply at any time during the year.

Central Bank Response: The Central Bank has considered the feedback carefully and does not propose changing to an always-open model. Our engagement with peers globally would highlight that the most efficient and effective use of resources and minimisation of costs, while still supporting innovation across the ecosystem, is to provide the Innovation Sandbox Programme via a programmatic approach.

Alignment with Innovation Engagement global best practice: Some respondents called for the Central Bank to be connected and aligned to EU and global industry research, programmes and have awareness of other models in different jurisdictions.

Central Bank Response: As a member of the European Forum for Innovation Facilitators, we collaborate, engage and share insights with regulatory peers. We also engage extensively with EU and international institutions and with peers, as we seek to understand their approaches to engaging with innovation and to learn from their experiences. This engagement allows us to contribute to the harmonisation of innovation facilities while staying informed about emerging trends and best practices. We are also heavily involved in innovation-related committees across the European Supervisory Authorities, the European Central Bank including Single Supervisory Mechanism, the International Organization of Securities Commissions, the Bank for International Settlements, and many more EU and international organisations.

Journey mapping after Sandbox: A few respondents called out the need for clarity to understand their regulatory journey after the completion of the Innovation Sandbox Programme.

Central Bank Response: The Central Bank have a robust authorisations and supervisory framework and this will be clearly articulated to firms as part of the programme. Taking part in the Innovation Sandbox Programme will not provide the firm with a fast track approach to authorisation or a revised framework for regulation. Participation in the Innovation Sandbox Programme does not indicate the commencement of a formal authorisation process. The advice and support provided through the Innovation Sandbox Programme for the firm is to provide them with a clear understanding of their regulatory obligations and embed a culture of compliance as the innovation develops and ensure they are properly prepared for the responsibilities that come as regulated firm, as well as properly run once authorised.

Sandbox endorsement and / or qualification: One respondent recognised that providing an endorsement through the Innovation Sandbox Programme was not viable, but it did propose that the Central Bank would provide a qualification or other form of language that can be used by sandbox participants to acknowledge their participation.

Central Bank Response: It is not appropriate for the Central Bank to provide any qualification or validation to participants in the Innovation Sandbox Programme in order to ensure that the Innovation Sandbox Programme does not cause any level playing field issues or disadvantage firms outside of the Programme.

Cross Sector & Government Collaboration: Some respondents proposed strategic partnerships with state agencies (Enterprise Ireland, IDA Ireland, Ireland Strategic Investment Fund and others) to harness collective expertise.

Central Bank Response: The Central Bank is involved in cross sector and government departmental collaboration including through the Ireland for Finance Strategy and associated annual Action Plans facilitated by the Department of Finance. The Central Bank has been, and will continue to be, a stakeholder in this work and will engage with the relevant action measures as required.

Funding Model: Some respondents called for a clear and detailed breakdown of costs and how these will be applied to the Levy. Respondents requested that the costs should be included, while also producing an annual cost analysis to highlight the sandbox costs and benefits.

Central Bank Response: The focus of the support provided through the Innovation Hub and the work undertaken with participants in the Sandbox Programmes will vary over time. The nature of these activities, with many aspects being non-sector or firm specific, are

expected to be of broad cross-sectoral relevance and benefit. We believe therefore that the cost of the resources deployed on the Innovation Hub and Sandbox activities should be funded by the financial industry as a whole. In line with the Central Bank's overall Industry Levy approach, our aim is that the recovery of costs is achieved in a proportionate and appropriate way across sectors and regulated entities. We do not believe that there will be an overall material increase in those costs.

The resources deployed by the Central Bank on these activities will change over time and will reflect the subject matter expertise called upon and effort needed to achieve the successful delivery of the Sandbox projects underway and the provision of high quality Innovation Hub support. As most of these resources will be drawn from teams across the Central Bank in a dynamic way, and given their anticipated level relative to the wider financial regulation resources, we believe that the existing breakdown of costs provided in levy reporting remains appropriate.

Question 4: Are there specific themes or areas of innovation that the Central Bank Innovation Sandbox Programme should address?

The feedback received on themes collectively represent the evolving landscape of financial services, characterised by technological advancements, regulatory developments, and changing consumer preferences. All respondents proposed a range of themes that will inform our long-term approach to the Innovation Sandbox Programme. These themes will also support the Innovation Hub engagements and how we prioritise activity with the innovation ecosystem. The main themes proposed were:

- Artificial Intelligence and its application in financial services.
- Climate/ Sustainable Finance
- Financial Crime including areas such as Cyber Security, Fraud and Identity.

- Open Finance
- Distributed Ledger Technology including Blockchain
- Financial Inclusion

The first Innovation Sandbox Programme theme will be chosen to ensure outcome(s) that inform our policy work (and other work as relevant) and future approach to the area of Innovation and/or solutions that support our public policy mandate.

The theme chosen will be cognisant of:

- Ensuring clarity of outcomes for applicants in the programme and the Central Bank resulting in benefits for consumers and the financial system;
- Ensuring both the need and demand from the innovation ecosystem to deliver for the selected theme in the Innovation Sandbox Programme; and
- Added value to participants through the operating model of the Innovation Sandbox Programme.

Annual thematic approach limitations: Many respondents believe that the thematic approach may limit the engagement of firms outside of the chosen theme and reduce the effectiveness of the Innovation Sandbox Programme to support innovation. Commentary provided on the thematic approach identifies risks of potential bias in identifying the themes and possible competition issues in theme selection. In addition, respondents are concerned that there will not be enough innovators to facilitate a thematic approach.

Central Bank Response: To ensure that the sandbox delivers effectively on its purpose, themes will encompass key societal needs and support to develop innovations that promote better outcomes for society and the financial system. This approach would provide innovators with a sandbox that is broad in focus and supports the participation of as many innovations as feasible. In progressing theme choice, the Central Bank will continue to engage with the Innovation ecosystem to ensure that there is a demand to

engage with the chosen theme. Themes not chosen for the first iteration of the Innovation Sandbox Programme will inform our future programmes and engagement on innovation.

Other Feedback

Outside of the formal consultation questions, the following matters were raised:

- **National Fintech Hub** – Several respondents referenced the need for the establishment of a National Fintech Hub in Ireland. They also referred to the consideration by the Central Bank to participate in the Department of Finance’s broader objective of the establishment of National Fintech Hub.

Central Bank Response: The Central Bank acknowledges the action measure set out in the Ireland for Finance Action Plan 2024 facilitated by the Department of Finance, which calls for an assessment of the costs, merits and the investigation into the feasibility of the development of a plan for a National Fintech Hub. The Central Bank has been, and will continue to be, a stakeholder in this work and will engage with cross government and industry stakeholders on the Action Plan as required.

Conclusion

The feedback received on Consultation Paper CP156 regarding the Central Bank's approach to innovation engagement in financial services has been broadly positive, reflecting strong support for the proposed enhancements. The Central Bank is pleased to work with the innovation ecosystem to deliver both the Innovation Hub enhancements and the Innovation Sandbox Programme that allows innovative firms engage with the regulatory framework in a clear and transparent way and develop innovations that promote better outcomes for society and the financial system. Stakeholders have emphasised the importance of continued engagement, inclusivity, and transparency to drive innovation within the Central Bank and across the innovation ecosystem which, delivers for its participants, the Central Bank and the public good. We are committed to strengthening our engagement with the innovation ecosystem and see this engagement as a way for us to better deliver on our mission to serve the public interest.

Next Steps

The Central Bank will continue to drive the enhancement of the Innovation Hub as outlined above, to facilitate deeper engagement with innovators. These enhancements have already begun with the launch of the updated structured engagement process with the Innovation Hub and a refreshed Innovation Hub website page now live. Additional website content will be added throughout 2024 and beyond.

Based on the feedback received, as part of the consultation process, the Central Bank will establish and deliver the Innovation Sandbox Programme in 2024, which aims to provide regulatory advice and support for innovative projects and firms. The programme will take a thematic approach and prioritise innovations that promote better outcomes for consumers and the financial system.

- In Quarter 3 2024, we plan to issue a call for potential participants.
- In Quarter 4 2024, we plan to commence the first Innovation Sandbox Programme.

The Central Bank will conduct broad engagement with the innovation ecosystem as we prepare for the launch the Innovation Sandbox Programme and develop appropriate theme(s). Information and updates on all of our innovation engagement facilities can be found [here](#).

Review of these Enhancements

The Central Bank is committed to adopting an iterative approach to both the Innovation Sandbox Programme and the Innovation Hub, ensuring adaptability and agility. Regular measurement and reviews will be conducted to assess effectiveness and drive improvements.

We will continue to produce a yearly Innovation Update report, and commit to conducting a review of the enhanced stakeholder engagement model three years after the enhancements have been implemented.

Appendix 1 – Respondents to CP156

(in alphabetical order)

- Bank of Ireland
- Blockchain Ireland
- Credit Union Development Association
- Credit Union Managers Association
- Dogpatch Labs
- E-Money Association
- Fenergo
- Fexco
- Fintech and Payments Association
- Financial Services Ireland
- Financial Services innovation Centre, UCC
- Irish Funds
- Insurance Ireland
- Instech
- Irish Fund Directors Association
- Irish League of Credit Unions
- Irish Life
- Kayna Innovation
- Napier Technology
- Revolut
- Reitigh Software
- Stripe
- South East Financial Services Cluster
- Seeblocks
- Squareup
- Safeguarding Ireland
- The People and their Banking Industry

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