



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem



Innovation Hub

2022 Update

Information about the Central Bank's Innovation Hub, including any upcoming events, is available at **www.centralbank.ie/regulation/innovation-hub**

Firms interested in engaging with the Innovation Hub are encouraged to email us at **fintech@centralbank.ie**



Five Years of the Innovation Hub

In April 2018, the Central Bank of Ireland launched its Innovation Hub. Each year, we share information on the Innovation Hub's engagements via a published annual update.

Being open and engaged, and future focused are two of the themes in the Central Bank's [Strategy 2022 - 2026](#). Under these strategic objectives, the Central Bank's Innovation Hub continues to operate with a two-fold purpose:

- i. facilitate engagement on innovation by providing a direct point of contact for fintechs and innovative incumbents;
- ii. provide the Central Bank with early intelligence on innovations, especially where those innovations are developed outside of the regulatory perimeter.

The Central Bank's objective is to create the regulatory context in which the potential benefits of innovation for consumers, businesses and society can be realised, while applicable regulatory standards are met, and risks effectively managed and mitigated. By helping the Central Bank to identify and act upon the emerging benefits and risks presented by innovation, the Innovation Hub supports the Central Bank's public interest mission and regulatory mandate to ensure that the financial system operates in the best interests of consumers and the wider economy. It also helps us to enhance our understanding of technology developments in the market and the arising challenges, both for consumers and for regulated entities.

This report provides an overview of the Innovation Hub in 2022. It also shares data on the trends observed in the Innovation Hub over the last five years. We look forward to continuing this engagement over the coming years, for the mutual benefit of all stakeholders.

Five Years of the Innovation Hub

The Central Bank set up the Innovation Hub in 2018, to provide an opportunity for innovators and innovation facilitators to engage with the Central Bank. Over this time, the Innovation Hub has met, and facilitated engagements with 319 innovators, fintechs, innovation facilitators, regulated entities, and thought leaders. The Innovation Hub seeks to help our stakeholders to gain a deeper understanding of our regulatory and supervisory expectations by providing them

The Central Bank's
Innovation Hub
engaged with 319
innovators since
2018.

with access to subject matter experts and sharing our perspective on innovation within financial services. Feedback from those engaging with the Innovation Hub has been largely positive. Firms tell us that they appreciate having a dedicated point of contact, where they can engage with regulators outside of the formal regulatory processes.

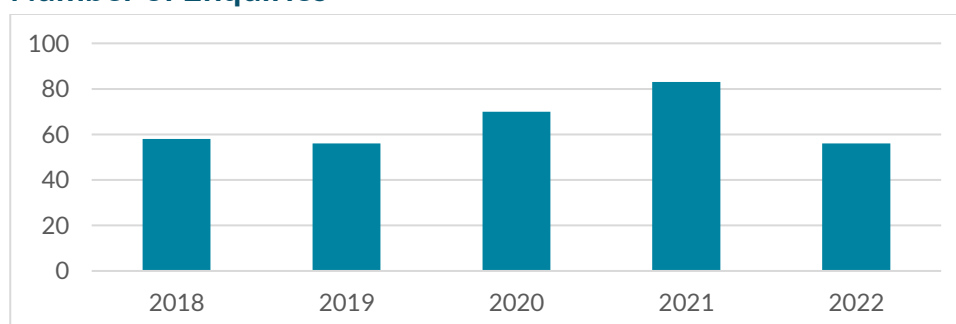
From our perspective, the Innovation Hub has helped us to monitor growth in the fintech sector, develop our knowledge around innovation including fintech business models and innovative products and services, and to understand the challenges and risks therein. The Innovation Hub is supported by a network of experts from across different functions of the Central Bank, who have benefited from the regular informal engagement with innovators. The Innovation Hub remains a valuable mechanism for the Central Bank to engage and have dialogue with, regulated and unregulated entities about innovation, as an element of how the regulatory framework seeks to play a positive role in the functioning of an innovative financial system.

Technological innovation is a key feature of the environment in which we seek to deliver our mandate.

2022 A Summary

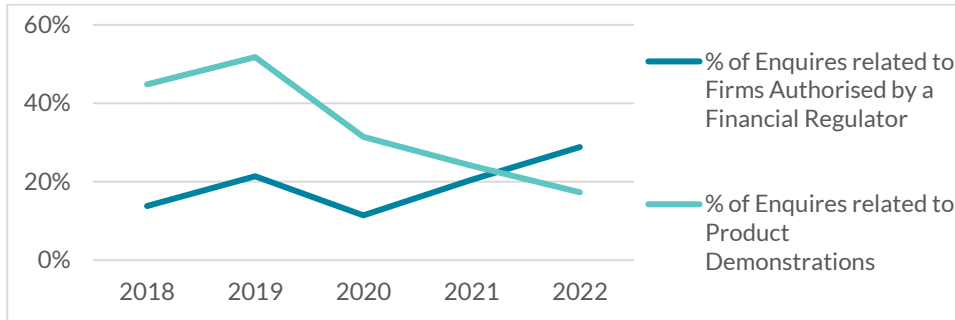
Across 2022, there continued to be a diverse range of enquiries into the Innovation Hub from innovators, including firms engaged in payment activities, crypto services and Regtech solutions.

Number of Enquiries



- The Innovation Hub engaged with 56 firms who innovate in financial services in 2022, with an increasing number of firms having more than one engagement with the Innovation Hub. This was particularly the case for firms with more complex business models that would require more than one authorisation or registration from the Central Bank.

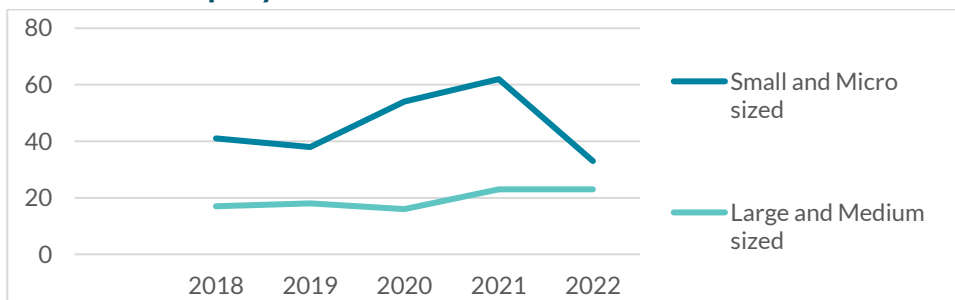
Enquiries from Regulated Firms



Increase in Regulated Firms engaging with the Innovation Hub

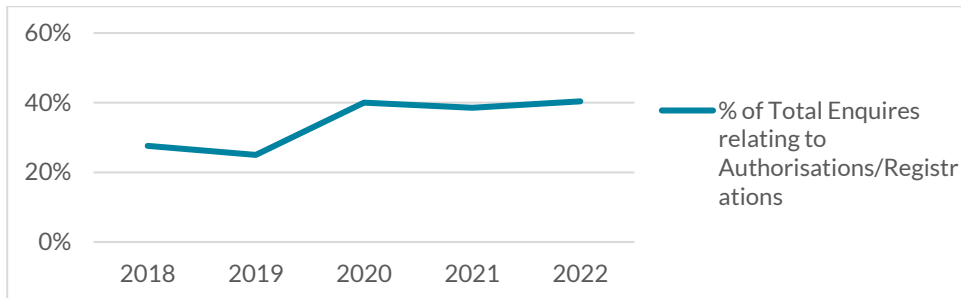
- We observed an increase in the number of regulated firms engaging with the Innovation Hub. In 2022, 29% of enquiries were from regulated firms compared to 20% of enquiries in 2021. Regulated firms engaged with the Innovation Hub primarily to discuss new authorisations and registrations, however some regulated firms also wanted to discuss broader sector specific topics. The Innovation Hub also facilitated broad informal discussions between regulated firms and our Subject Matter Experts about innovation.

Profile of Enquiry Firms



- A diverse range of firms continue to engage with the Innovation Hub, ranging from very small early stage start-ups to large global firms. While the profile of firms has remained relatively stable in the past five years, in 2022, there was a proportional increase in medium and larger sized firms engaging with the Innovation Hub, with small and micro sized enterprises comprising of 37% of enquiries compared to 63% of enquiries in 2021. The Innovation Hub provides innovative firms of all sizes with the opportunity to engage with the Innovation Hub. In many cases, firms are seeking to discuss regulations, to help them determine if, and where, they might fit in the regulatory landscape.

Enquiries related to an Authorisation or Registration with the Central Bank



High engagement from firms considering an authorisation or registration with the Central Bank

- 40% of enquiries were from entities seeking to have initial discussions with the Innovation Hub about the process to be authorised or registered. This percentage is consistent with previous years. Typically, firms seek information to help them to understand if the regulatory framework may be relevant to their business model and innovation. Such enquiries were predominately about MiFID, payment institution, e-money institution or crowdfunding authorisations or VASP registration. These enquires can vary between firms at an early stage of their regulatory developments and firms at an advanced stage.

Innovation Hub and Authorisations/Registrations

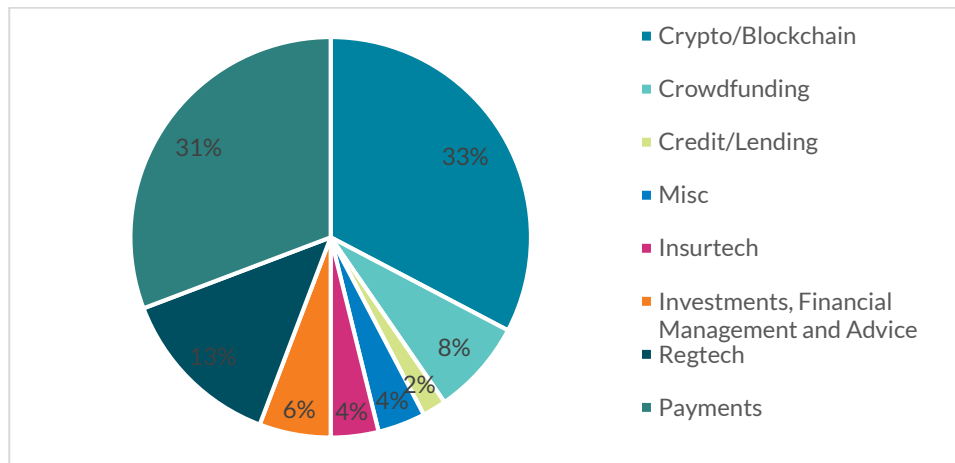
Prior to the submission of a formal authorisation or registration application to the Central Bank, many innovative firms engage informally with the regulator via the Innovation Hub.

The Central Bank has found that firms that engage early can gain a greater understanding of our authorisation/registration processes and expectations, assisting the smooth and timely operation of the authorisation/registration process. Early engagement has also enabled us to get a better understanding of the possible authorisation/registration pipelines and their respective business models.

Trends in Innovation Identified from 2022 Engagements

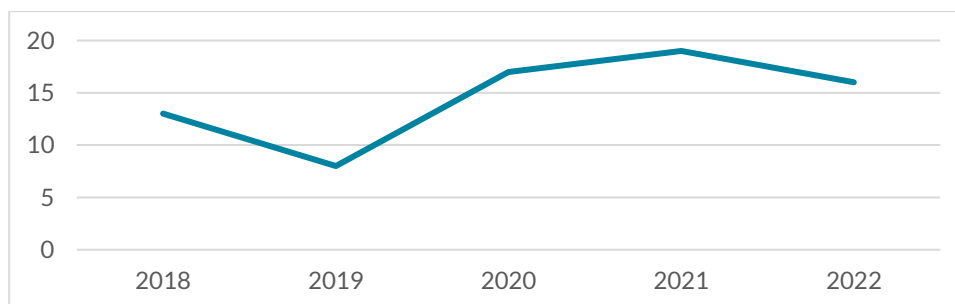
In line with 2021, most of the enquiries into the Innovation Hub in 2022 originated from firms in the payments sector, and the blockchain and crypto sector. Firms in the Regtech sector also continued to engage with the Innovation Hub in 2022.

% of Overall Enquiries by Sector



Payments: Enquiries from Payment Firms continues to be High and Evolving

Number of Payment Related Enquiries

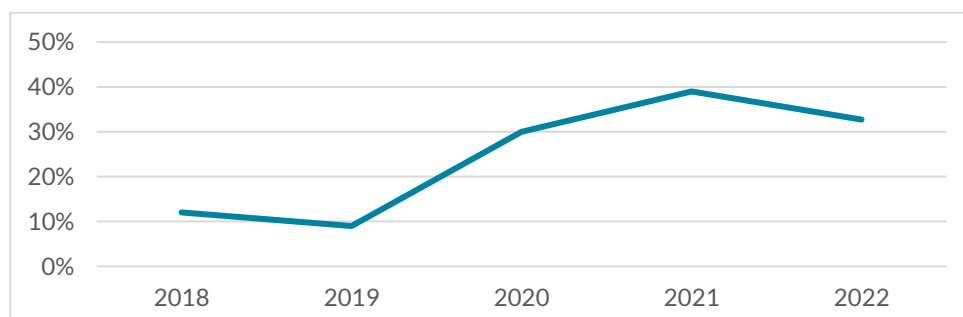


The Innovation Hub continued to see a strong number of enquiries from firms involved in payment related activities. Overall, the number of payment related enquiries remained steady at 31%, indicating an engaged and innovative payment sector in Ireland.

Notably, the reason for engagement from this sector was not always authorisation related, in some cases firms wanted to have broad discussions on the topic of payments. Many of these enquiries came from firms who had previously engaged with the Innovation Hub, illustrating the value of ongoing engagement via the Innovation Hub.

Digital Assets: High Number of Enquiries from Firms operating in the Blockchain and Crypto Sector

% of Total Enquiries related to Blockchain and Crypto



The Innovation Hub continued to receive a significant number of enquiries from firms within the DLT/Blockchain, crypto or digital asset sector, i.e. 33% of all enquiries, consistent with 39% of enquiries in 2021. These enquiries originated from a broad spectrum of firms, from established regulated entities to early stage start-ups, and concerned a range of regulatory regimes.

In particular, there was an increase in the number of enquiries from large, established crypto asset service providers. While many focused on the VASP registration regime, some firms were also considering other authorisations including e-money, and MiFID authorisations.

Markets in Crypto Asset Regulations (MiCA)

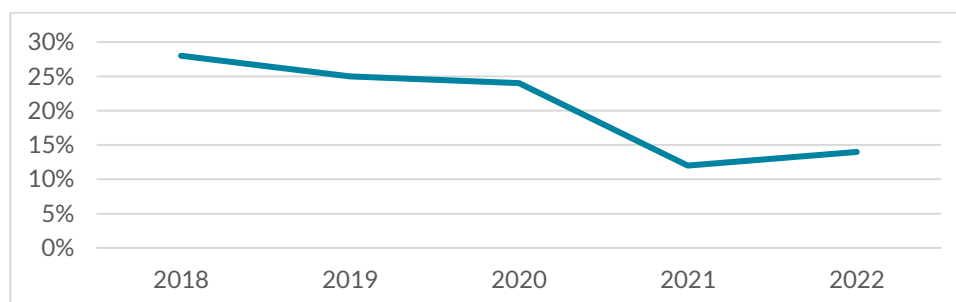
The EU's new legislative framework for crypto assets and providers of crypto asset services, MiCA, will put in place obligations and requirements for crypto asset service providers and the issuers of crypto-assets, including E-Money Tokens (EMTs), Asset Referenced Tokens (ARTs) and utility tokens. MiCA will establish a new EU legal framework for crypto-assets not covered by existing rules.

The Central Bank will become the competent authority for regulating crypto asset service providers and certain types of issuers of crypto assets under MiCA. MiCA will introduce new regulatory and supervisory roles for the Central Bank, with the creation of new regulated entities not already captured within our regulatory framework and structure. We are currently preparing for the implementation and operationalisation of this new regime.

The Innovation Hub has witnessed growth in the sector in Ireland over last number of years, and expects to have continued engagement with the sector over the coming years, particularly as the Markets in Crypto Asset Regulations comes into force.

Regtech - Stabilisation in RegTech Enquiries

% of Total Enquiries related to RegTech



14% of enquiries came from Regtech firms, representing a stabilisation from the gradual overall decline of Regtech enquiries since 2018. The majority of Regtech enquiries related to AML/CFT solutions or fraud prevention tools. Many of the Regtech solutions demonstrated implemented A.I. or machine learning techniques into their solutions, showing the growing use of technology in such solutions. It was evident from the engagements that such solutions are being used in, or piloted in, regulated entities, showing a growing adoption of such solutions in financial institutions.

Stakeholder Outreach

The Innovation Hub is committed to engaging regionally and seeks to be pro-active in our engagement with innovators. In 2022, the Innovation Hub held two outreach events organised in partnership with established fintech courses in the [Technical University Dublin](#) and [PAT Fintech](#).

Additionally, the Innovation Hub engaged with stakeholders from across a broad range of sectors, including the [IDA Ireland](#), [Insurance Ireland](#), [Blockchain Ireland](#), [the Fintech and Payments Association of Ireland](#) and [Instech](#). These engagements enable us to bring broader awareness of the role, value, and function of the Innovation Hub.

Review of the Central Bank's Engagement with Innovators

In the 2021 Innovation Hub report, we set out that we had begun a review of the Innovation Hub and would consider enhancements to the Innovation Hub on completion of this review. When we set up our Innovation Hub, we were broadly aligned with the approaches of our peers. Since then however, many of our peers have expanded their engagement models with innovators, allowing for a deeper and more structured level of interaction.

We have identified that there is value in enhancing our current engagement approach aligned with our mandate. There is scope to enhance our Innovation Hub and outreach programme further, and to broaden our contact point modality so that we can begin to:

- engage at a deeper level with innovators on regulation;
- garner more intelligence on innovation; and
- allow for deeper engagement in various initiatives at EU and international level.

As part of our continuing review of our Innovation Hub, we will issue a public consultation in 2023 on proposed enhancements, with any changes to be implemented over the course of our current strategic cycle (2022 to 2026).

Conclusion

In 2022, the Innovation Hub saw a strong number of enquiries into the Innovation Hub, facilitating informal and open engagement with innovative firms from across several sectors. The trends in 2022 suggest that there is still strong interest from firms to engage with the Innovation Hub, particularly in the areas of payments and crypto. Such engagements allow the Central Bank to learn about new technologies and innovations in financial services and develop a deeper understanding of innovations in financial services in Ireland. As an open, engaged and future-focused regulator, we seek to anticipate and support financial services innovation in line with our mandate and risk appetite. In 2023, the Innovation Hub will continue to engage with innovators through the Innovation Hub but also proactively with stakeholders via outreach activities.

Consumer Protection Code Review

The speed and scale of innovation in financial services is bringing unprecedented change and disruption to retail financial services. We support innovations that enhance financial service provision for consumers, while also remaining vigilant to the potential impacts and risks of such innovations on the stability of the financial system and on consumers. The consequences and impacts of innovation need to be carefully considered, to ensure consumers are appropriately protected, while potential opportunities and benefits are maximised.

In October 2022, the Central Bank, as part of its review of the Consumer Protection Code, published a [Discussion Paper](#) on the topic of consumer protection in financial services. Section 3 of the Discussion Paper sets out focused discussion themes including the themes of Innovation and Disruption, and Digitalisation. The Discussion Paper is an opportunity for you to have your say and the Central Bank has issued two online surveys – one aimed primarily at industry and consumer/representative bodies and a shorter survey aimed at the public. These surveys can be found on the [Central Bank Website](#). The deadline for feedback is 5:00pm on Friday 31 March 2023.

T: +353 (0)1 224 5800
E: publications@centralbank.ie
www.centralbank.ie



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