A new payment scheme for Iceland

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Changing payment methods but lack of A2A

	2018	2025
Cash	8%	2%
Credit Cards	92%	98%
Account-to-Account	0%	0%
Mobile wallets	0%	72%

Iceland's payment landscape efficient but with critical dependencies

Fast and efficient payment system



INSTANT PAYMENTS

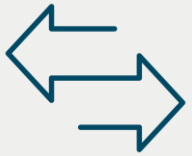
Long and positive experience of instant payments



RETAIL PAYMENTS

Cards dominate payments for goods and services

But concentrated dependencies



DOMESTIC ALTERNATIVES

No widely used account-to-account retail solution



CRITICAL DEPENDENCIES

Global card networks and continuous connectivity required for current system

Combine international shelter and domestic resilience



European integration

EEA membership provides Single Market access and a common legal framework.



Trusted infrastructure

Shared infrastructure brings scale, operational expertise and common standards.



Clear limits

Iceland remains outside the EU, the euro area and the Banking Union.



Domestic resilience

Diversification reduces dependence on any one channel or provider.



Critical local capability

Credible fallbacks support essential payments during disruption.



Tested cooperation

Clear responsibilities and joint exercises strengthen recovery.

Wide ranging responsibility for the Central Bank

The Bank's responsibilities

Critical infrastructure provider

Provide critical infrastructure without seeking to deliver every service.

Macro-supervision and oversight

Oversee critical infrastructure within the Bank's payments system and financial stability responsibilities.

Micro-supervision

Fulfil increased supervisory responsibilities, including through the implementation of DORA in Icelandic law.

Resilience across the whole system

Common objectives and coordination

Identify system-wide dependencies, set shared objectives and convene the relevant actors.

Tested contingency arrangements

Test preparedness against severe but plausible disruptions, with clear responsibilities.

The wider benefits of resilience

Help private participants weigh wider resilience benefits against upfront costs and the risk of underinvestment.

Essential financial services defined and risks assessed



Payment at the point of sale

99% credit card payment

Over 50% cards on smart devices



Online payments

100% credit card



Transfer between bank accounts

All deposit schemes at a single provider

Not a widespread A2A solution in stores



Bank account balance information

All deposit schemes operated at the same location



Interbank settlement

In one system



Access and use of cash

1% cash consumption

The number of branches decreases

Reception not mandatory



International payments

SWIFT

Number of initiatives to fulfill broad responsibilities

Payment continuity



Strengthen offline card payments



Create an additional domestic payment route

Preparedness and response



Coordinate through the 24/7 incident centre



Set continuity requirements for essential services

System-wide oversight



Identify shared dependencies and coordinate to strenghten resilience



Crisis governance and clarify responsibilities

Participation in TIPS strengthens ISK instant payments

TIPS participation



Settlement

Shared European infrastructure for ISK instant payments



Timing

Readiness target: H2 2028.
No final go-live date

Further opportunities



Further assessment

Assess T2 and T2S participation and TIPS cross-currency use



Emerging technologies

Monitor DLT, especially for cross-currency settlement

Shared technology changes form of risks

External connectivity



External links

Reliable connectivity to continental Europe remains essential



Redundancy

Additional cable capacity and satellite backup

Domestic contingency



Local contingency

Retain critical functions if external connectivity fails



Design principle

Shared infrastructure needs credible domestic fallbacks

A domestic retail payment alternative

Instant-payment capability needs everyday acceptance

A domestic account-to-account scheme safeguards resilience

Payment experience



Payment experience

Pay from a bank account in store, online or to another person



Confirmation

The recipient receives immediate confirmation

Common infrastructure



Common layer

The Central Bank supports settlement, shared standards and domestic contingency



Settlement

Connect to existing instant-payment infrastructure

Customer services remain with the market



Consumers

- Pay directly from a bank account
- Use familiar applications
- Gain another payment option



Merchants

- Accept payments in store and online
- Receive immediate confirmation
- Choose competing services

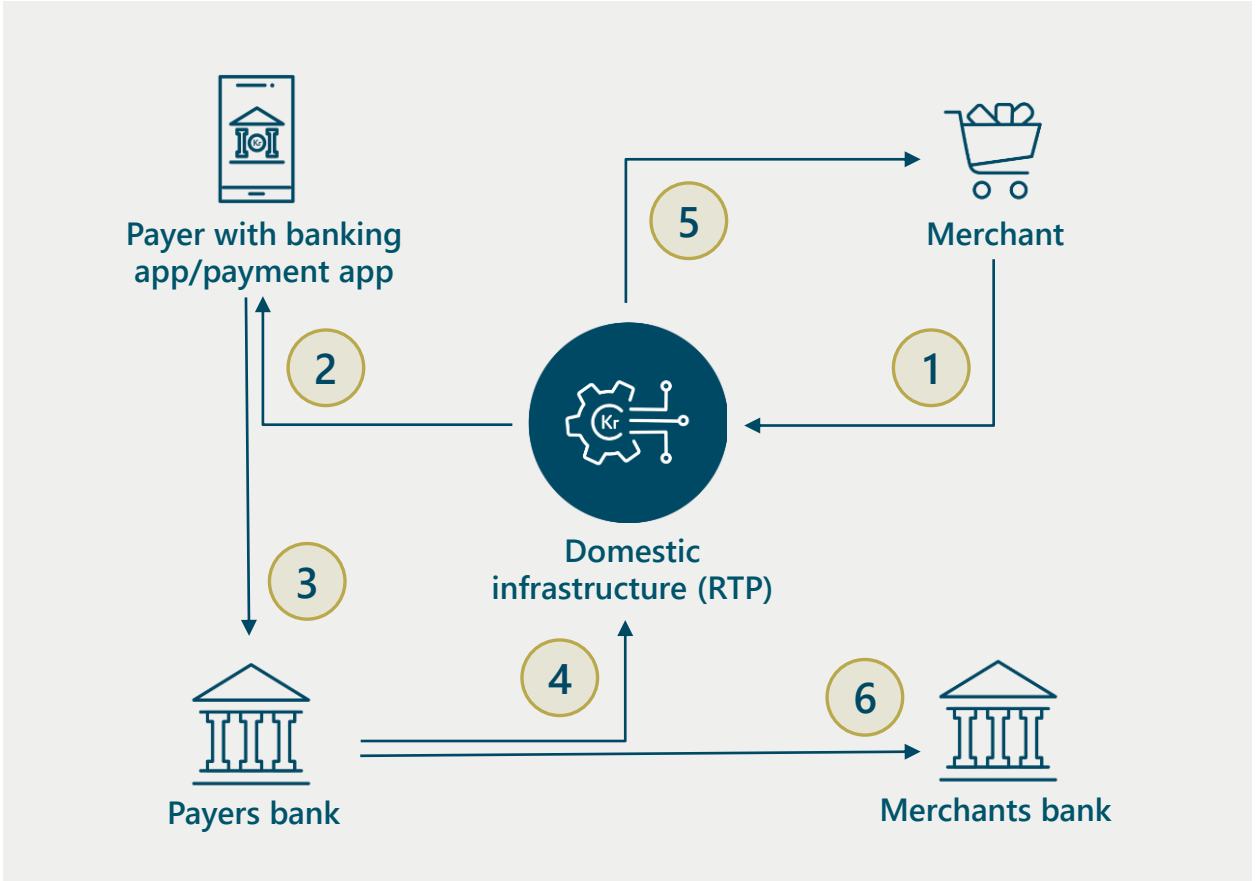


Banks and providers

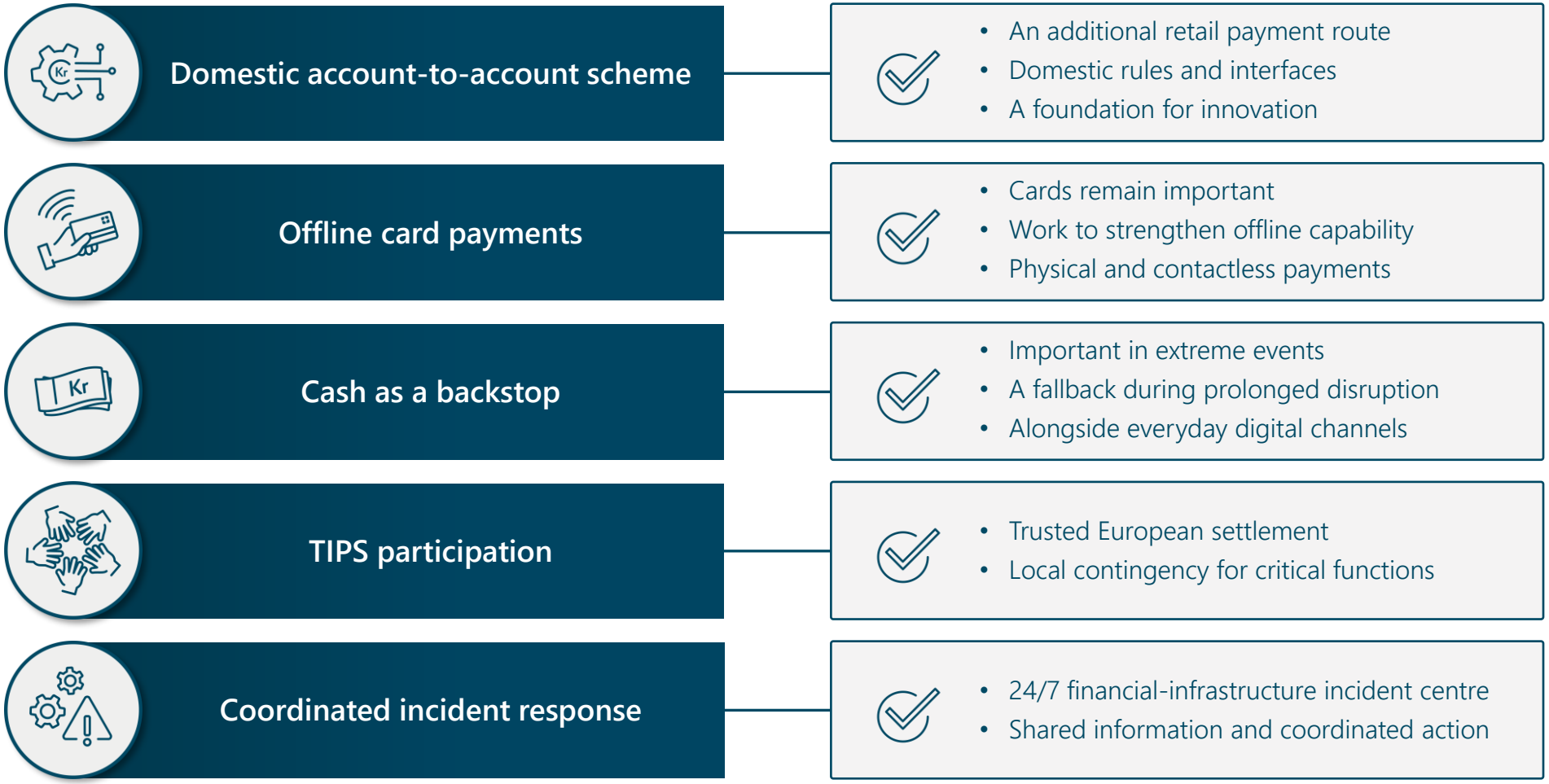
- Provide apps and merchant solutions
- Compete on price and functionality
- Build on common infrastructure

Architecture of the new infrastructure

1. **Merchant** creates a payment request
2. **Payer** retrieves the payment request
3. **Payer** confirms the payment
4. **Payer's bank** confirms the payment
5. **Merchant** receives a payment confirmation
6. **Merchant** receives the payment



Increased resilience through diversification and cooperation



Thank you