



## Paper discussion

"Cross-Currency and Cross-Platform Settlement of Instant Payments:  
a Proof of Concept", by Mehdi Manaa

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International Webinar on Enhancing Digital and Global  
Infrastructures in Cross-Border Payments

**Views expressed in this presentation are those of the presenter and not necessarily those of the BIS or CPMI.**

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# Summary

# Summary (1/2)

- **Feasibility study:**

- Interlinking the Eurosystem's instant payment infrastructure (TIPS) with Buna Instant Payment System (IPS) operated by the Arab Regional Payments Clearing and Settlement Organization (ARPSCO)

- **Scope of proof-of-concept:**

- Cross-border cross-currency instant remittance payment
- From Italian to Jordanian bank

- **Key transaction and messaging steps:**

1. The Italian bank sends a EUR payment to TIPS using ISO20022 format
2. TIPS reserves the amount in EUR and forwards the payment to a Buna IPS participant (*the Cross-currency PSP*)
3. The Cross-currency PSP converts the payment to JOD and forwards the payment to Buna IPS
4. Buna reserves the amount in JOD and forwards the payment to the Jordanian bank
5. The Jordanian bank confirms the payment
6. Buna settles the JOD payment and confirms to both Buna parties
7. The Cross-currency PSP confirms the EUR payment to TIPS
8. TIPS settles the EUR payment and confirms to both TIPS parties.

# Summary (2/2)

- **Implementation of proof-of-concept:**

- Four test transactions of EUR 3.00
- Focus on technical linkage, with compliance systems turned off
- Simulation of Cross-currency PSP

- **Outcome:**

- Four test transactions were successfully received, settled and confirmed
- Average end-to-end transaction time was ~14.75 seconds

- **Key conclusions:**

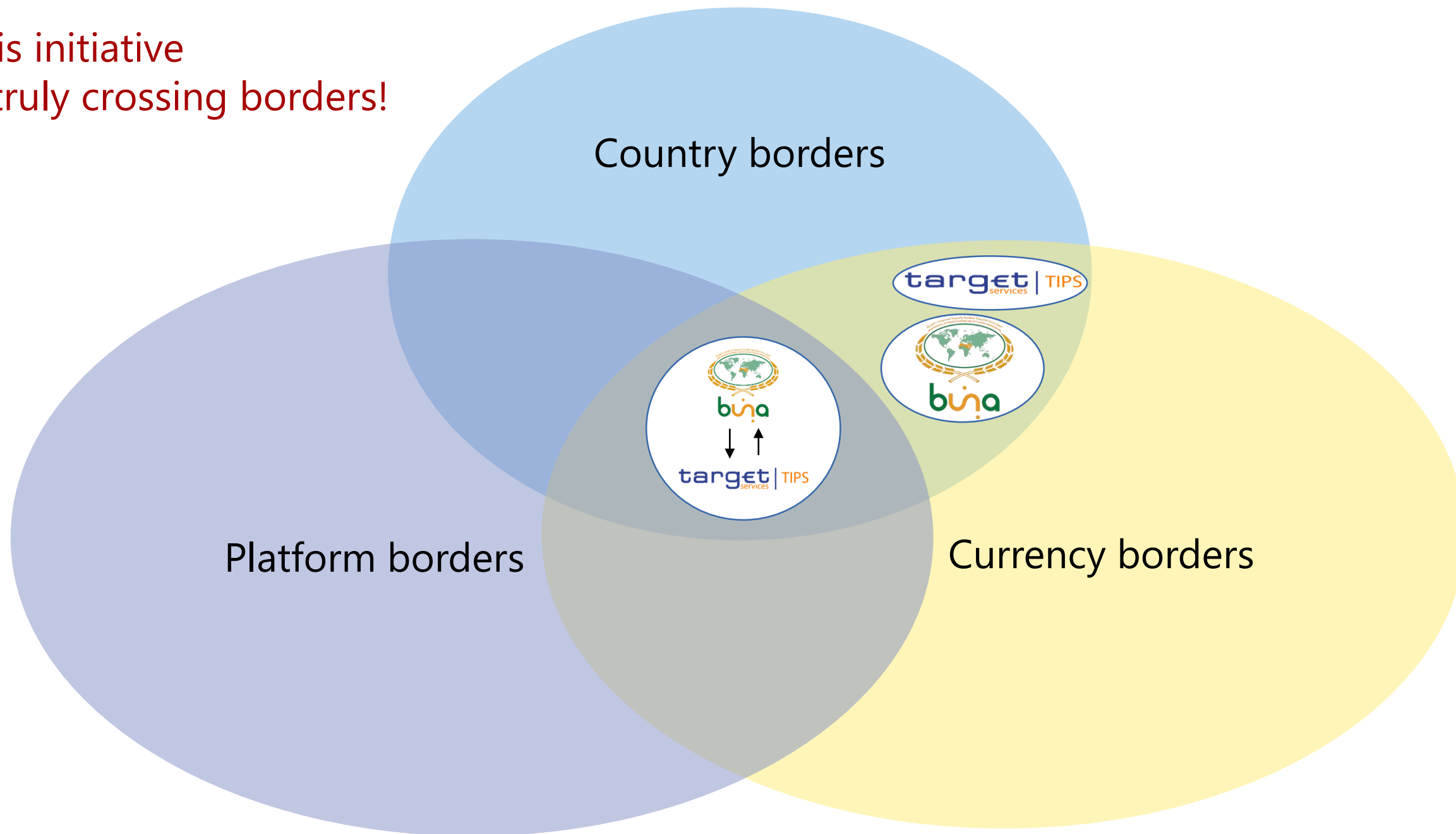
- Interlinkage of TIPS and Buna IPS is possible
- Harmonisation of message standards is an important enabler...
- ... but not strictly necessary when a Cross-currency PSPs acts as a translator

- **Proposed issues to further assess:**

- FX risks, legal and operational risks

# Discussion

This initiative  
is truly crossing borders!



## Criticality of similarities?

- **Citation: “TIPS and BUNA IPS are working in a similar way. Hence at high level, their interconnection seems feasible.”**
  - What are the key similarities?
    - Eg “Instant” technology? Messaging standard? Access regime? Compliance and monitoring?
  - Were these indeed critical to the feasibility of the interconnection?
  - Will this model be applicable for other systems that are less alike?

# How are the systems actually linked? Isn't it all about the Cross-currency PSP?

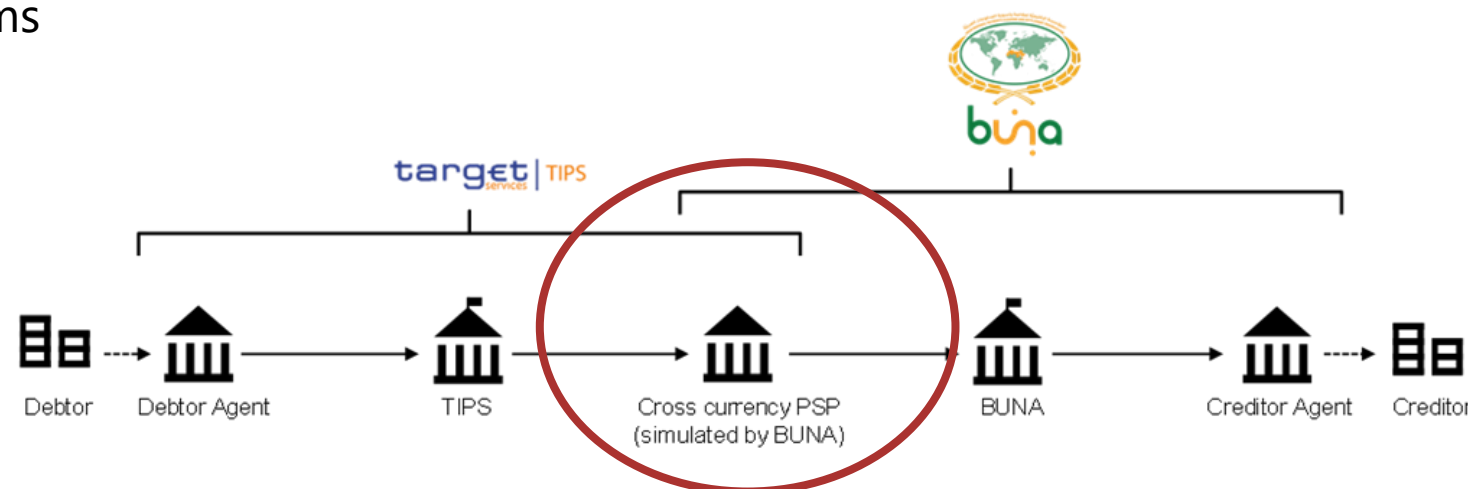
- **The Cross-currency PSP:**

- Participates in both platforms
- Carries out the currency conversion
- If needed, processes the message format mapping between the two interconnected platforms

- **How is this fundamentally different from correspondent banking?**

- **The Cross-currency PSP role is simulated in the absence of a PSP meeting the technical requirements. How to make sure there is a Cross-currency PSP in a live environment?**

- Opening up access to payment platforms
- What's in it for the participant?
  - Conversion rates?
  - Transaction fees?



# Impact on current frictions in cross-border payments?

## ● Speed:

- Within one hour of payment initiation ☒
- Also when compliance systems are turned on?

## ● End-user costs:

- < 3% or 5% for a USD 200 equivalent payment?
- Charging principle and competitive conversion fees?

## ● Access:

- % share of population currently reachable?

## ● Transparency:

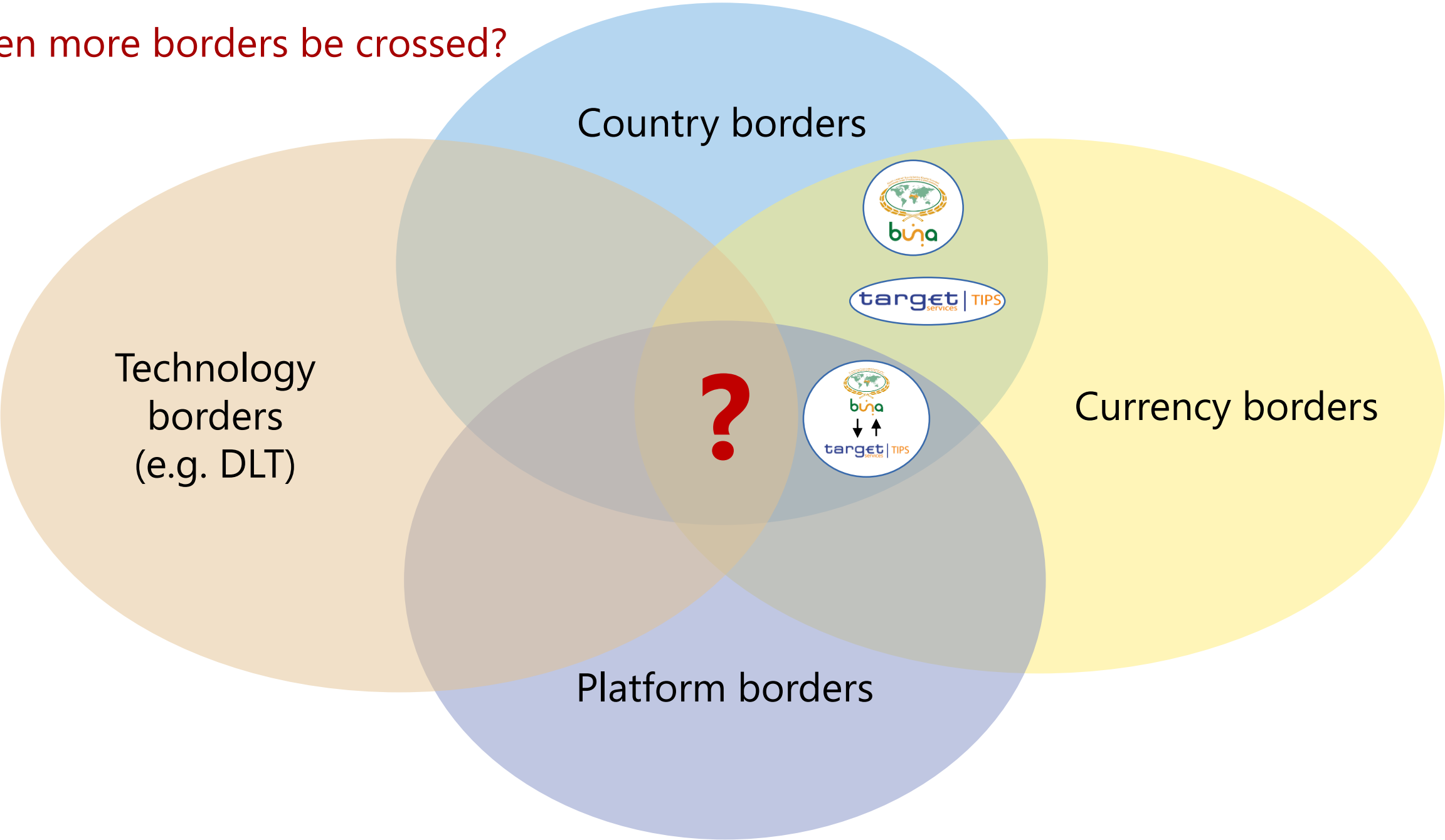
- E.g. are FX rate and conversion charges known it advance?

Table 1: Proposed targets for the Cross-Border Payments Roadmap

Challenge	Payment Sector		
	Wholesale	Retail (e.g. B2B, P2B/ B2P, other P2P <sup>3</sup> )	Remittances
Cost	No target set <sup>4</sup>	Global average cost of payment to be no more than 1%, with no corridors with costs higher than 3% by end-2027	Reaffirm UN SDG: Global average cost of sending \$200 remittance to be no more than 3% by 2030, with no corridors with costs higher than 5%
Speed	Large majority (e.g. 75%) of cross-border wholesale payments to be within one hour of payment initiation <sup>5</sup> , by end-2027 and for the remainder of the market to be within one business day	Large majority (e.g. 75%) of payments to provide availability of funds for the recipient within one hour from the time the payment is initiated <sup>6</sup> , by end-2027 and for the remainder of the market to be within one business day	Large majority (e.g. 75%) of remittance payments in every corridor to provide availability of funds for the recipient within one hour of payment initiation <sup>7</sup> by end-2027 and for the remainder of the market to be within one business day
Access	All financial institutions (including financial sector remittance service providers) in all payment corridors to have at least one option (in terms of infrastructures and providers) and, where appropriate, multiple options for sending cross-border wholesale payments by end-2027	All end-users (individuals, businesses (including MSMEs) or banks) to have at least one option (in terms of infrastructures and providers) for sending or receiving cross-border electronic payments by end-2027	More than 90% of individuals (including those without bank accounts) who wish to send or receive a remittance payment to have access to a means of cross-border electronic remittance payment by end-2027
Transparency	All payment service providers to provide at a minimum a defined list of information concerning cross-border payments to payers and payees (including e.g. total transaction cost (showing FX rate and currency conversion charges), time to deliver funds, funds tracking, and terms of service) by end-2027		

Source: FSB (2021): [Targets for Addressing the Four Challenges of Cross-Border Payments: Consultative document](#)

Can even more borders be crossed?



Thank you