



EUROPEAN CENTRAL BANK

EUROSYSTEM

Cross-currency initiative in TIPS

Market Surveys Outcome

13 April 2022

target | TIPS
services



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2.a. Opportunity to participate in cross-currency initiative in TIPS

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Executive Summary

Main elements on the surveys

- Two surveys were launched by the ECB in February 2022:
 - One survey was targeting the AMI-Pay, NSGs, TSWG and TIPS-CG members
 - One survey was targeting the Foreign Exchange (FX) Contact Group

Not exactly the same questions due to the profile of the invited participants
- The aim of these surveys was **to gather views and input of the market participants on the cross-currency initiative in TIPS**
- Both surveys **referred to the [technical Note on the Linked Transactions settlement model](#)** which describes the functioning of the envisaged cross-currency instant payment model in TIPS between Euro and Swedish Krona and were opened for a period of 3 weeks
- Riksbank also launched a survey for its own market (see separate deck of slides)

Executive Summary

Main outcome

- The appetite of the survey respondents regarding the cross-currency instant payments in TIPS is quite positive.

More than 50% of the respondents see it with interest while about 20% has a limited or no appetite regarding this service.

- Regarding the best point in time to implement cross-currency instant payments in TIPS, the views are a bit more aligned. **A two-year time seems appropriate.**

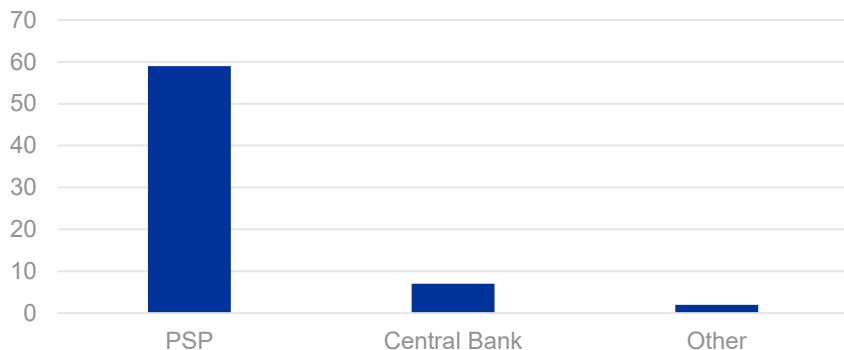
Some respondents indeed indicated that the priorities should be put at the moment on other aspects (e.g. increasing the participation / reachability). Also, many of them mentioned the ongoing market infrastructure projects on which they are currently focusing.

Executive summary

Who responded to the surveys?

AMI-Pay, NSGs, TSWG, TIPS-CG Survey

→ **68 respondents:**



- Among the PSPs who responded to the survey, 84% of them indicated to be SCT Inst compliant

FX Contact Group Survey

→ **1 respondent**, but we have been informed that:

- among this group, there are only 10 PSPs and that a lot of them received the other survey
- two members of the FX Contact Group clearly indicated to have answered via the other survey
- The unique respondent is SCT Inst compliant

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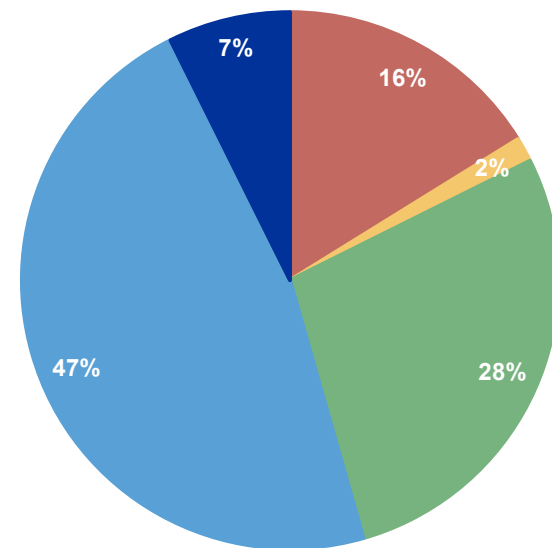
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Outcome - Interest on having instant cross-currency settlement in TIPS

- The views of the respondents is quite positive.
A majority sees cross-currency settlement in TIPS with interest, while almost 20% has a limited or no appetite regarding this service
- There seems to be a trend depending on the size of the banks: the banks with European or even world scale tend to be rather in favour of cross-currency settlement in TIPS, whereas the banks with a smaller scale may not see the relevance for their business model



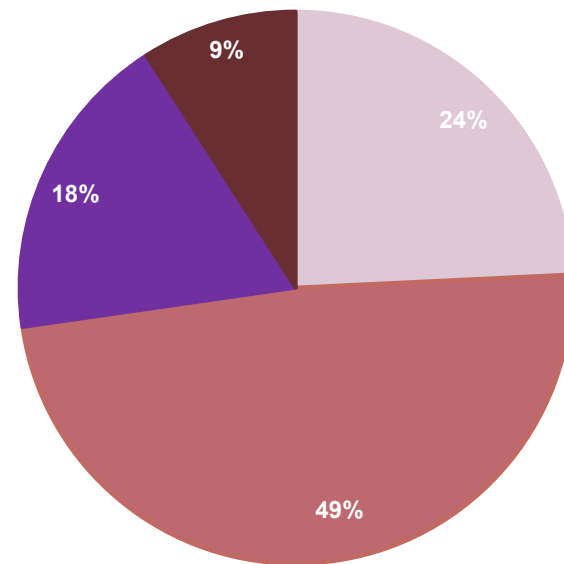
■ Not likely ■ Somewhat Unlikely ■ Neutral ■ Somewhat Likely ■ Very likely

Outcome - Interest on taking up the role of a cross-currency PSP

- The respondents gave some input on what is important from their point of view to possibly take up the role of a cross-currency PSP:
 - Demand coming from customers (i.e. business perspective)
 - Moderate implementation effort (i.e. architectural or technical burdens)
 - Clarification/harmonisation on operating rules (e.g. mandatory standards)
 - Reachability (i.e. widespread participation)
 - The FX Contact Group respondent mentioned the following barriers:
 - Transaction costs
 - KYC/AML costs
 - Funding cost of maintaining balances to facilitate real time settlement
- Several participants mentioned the costs associated to the implementation of this service

Outcome - Best point in time for the cross-currency service in TIPS to go-live

- For those who expressed themselves on the best point in time, **the majority of the respondents are quite aligned to say that with regards to the other projects (e.g. T2-T2 Consolidation), 2024 (i.e. in 1-2-year time) is rather a good timeframe.**
- Some respondents stated **that this initiative should not be implemented immediately due to other priorities (e.g. increasing the participation / reachability) and/or due to the fact that this service will be quite complex to implement.**



■ in 1-year time ■ in 2-year time ■ in 3-year time ■ in 5-year time

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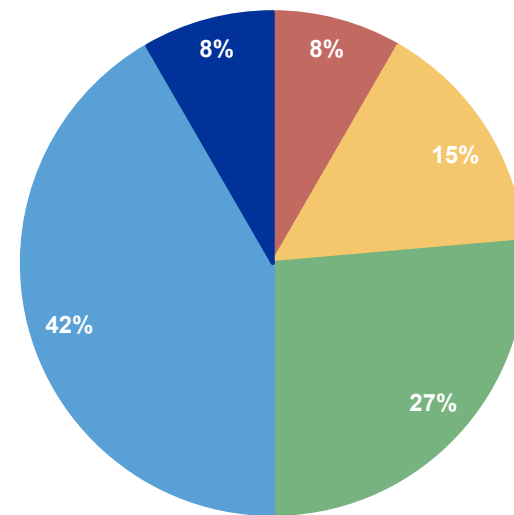
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Outcome - Interoperability/connection with other technical platforms

- A majority of the respondents state that the cross-currency service should be open to future interoperability/connection with other technical platforms, while only 23% sees it with low or very low value



Very Low Value Low Value Moderate Value High Value Very High Value

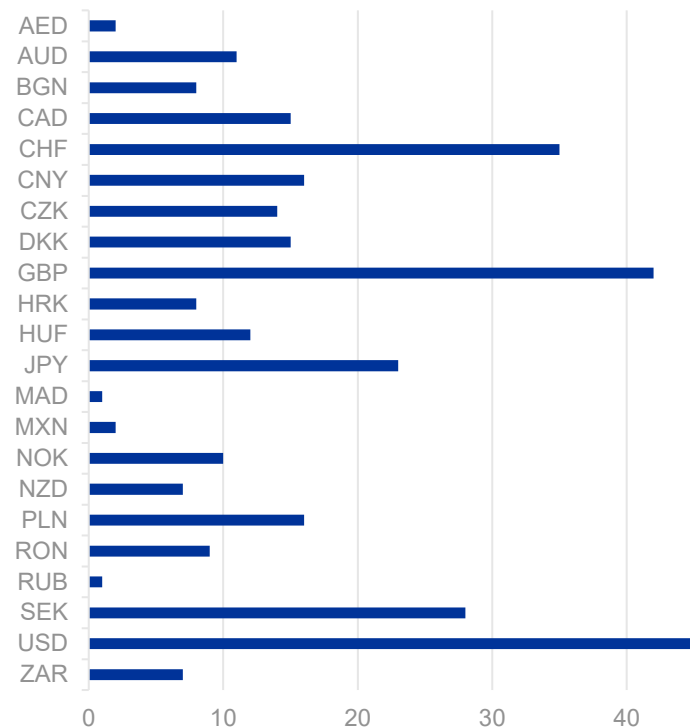
Outcome - Currencies that would bring more value

- **The top 5 of currencies** where the respondents see value for cross-currencies instant payments are:

1. USD
2. GBP
3. CHF
4. **SEK**
5. JPY

- Some respondents indicated that the focus should maybe be first on European currencies - also including closely linked currencies like CHF, GBP and NOK - to ensure full interoperability between all European currencies/countries.

And that then the next step could be to the connect all major currencies from a global perspective: USD, JPY, etc.



Outcome - Main barriers for the implementation of cross-currency instant payment solutions

- **Obstacles of different natures have been identified by the respondents.**

The most mentioned barriers can be categorised as follows:

- Different regulations, security, fraud and compliance (incl. sanction screening) frameworks
- Application of FX rate (way it will be done on a technical and on a business perspective)
- Interoperability of platforms and adherence
- Small coverage of the service / reachability of respondents
- Solution regarding the management of liquidity

→ Some respondents underlined the need for harmonisation regarding the rules, the standards and need for clarification regarding the roles/governance – this is seen as essential also in view of reducing the number of rejects

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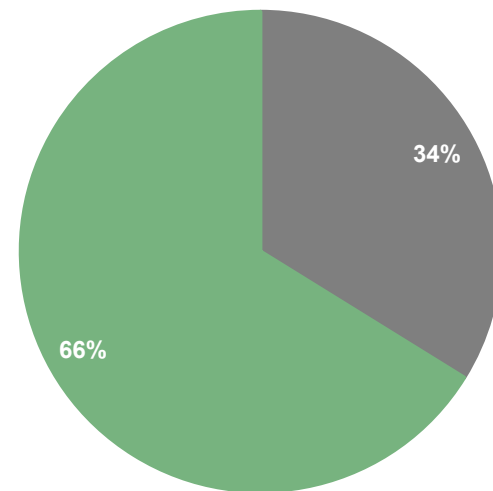
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Outcome - Settlement model described in the Technical Note

- A majority of the respondents to the survey indicated that the technical note provided by the ECB, Riksbank and 4CB describing the settlement model **is in line with their expectations**



■ In line with expectations

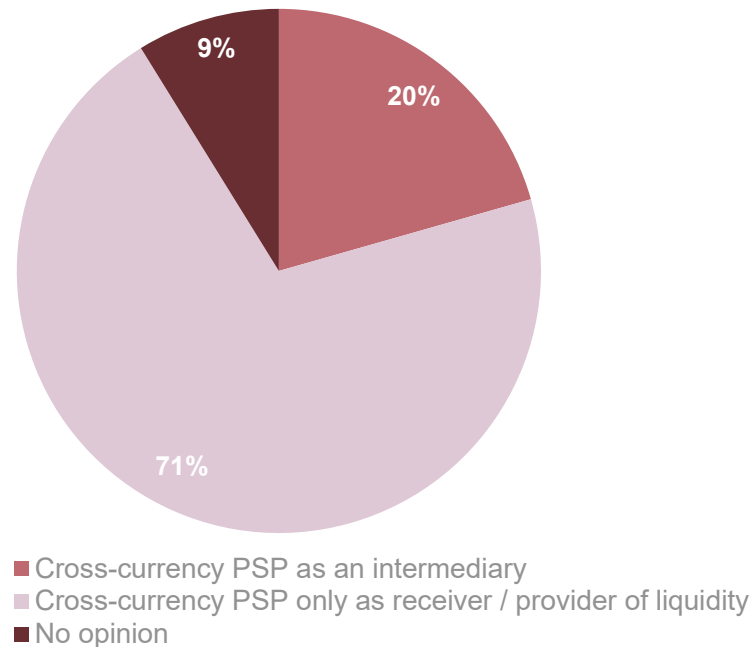
■ Not in line with expectations

Outcome - Preference regarding the role of the cross-currency PSP

- **A substantial majority** of the respondents indicated that they would consider preferable a model whereby the cross-currency PSP would not act as intermediary in the payment chain itself **but only as a receiver / provider of liquidity**

Reminder: Under this model, the cross-currency PSP would not need to receive any information about the payer / payee nor about the purpose of the payment

- On the contrary, the FX Contact Group respondent is rather on the view that cross-currency PSP would act as intermediary in the chain



Outcome - Central Exchanged Hub (CEH)

Specific additional requirements

- Currently, the CEH is defined as follows:

the CEH would be a new optional service which allows the cross-currency PSPs to post the FX rates offered to the Originator PSPs, and the Originator PSPs to retrieve from a central repository the best available FX rate in an automated way for their transactions.

- While some respondents would appreciate more details and information to be able to assess the CEH, several respondents indicated to have specific additional requirements regarding the CEH, like:
 - Technical connection via API
 - Robust rule book specifying rules about quotes, e.g. quote sizes, quote lifetimes, quote refresh time
Some PSPs underlined that the currency conversion rate list provided by the CEH should remain valid for a sufficient period of time after the rate has been requested and provided, so that a binding overall process for the currency deal is given

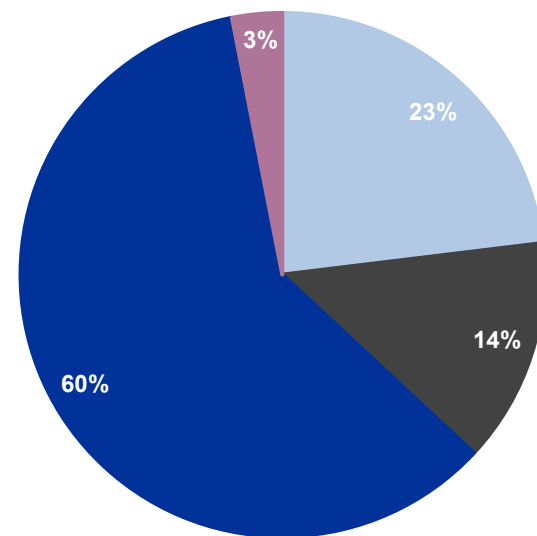
Outcome - Central Exchanged Hub (CEH)

Way the execution of the exchange rate should be done

- **A majority** of the respondents indicated that they would prefer the execution of the exchange rate to be done based on both approaches, i.e. automated execution & discretionary execution

Reminder: The CEH is foreseen to be used as the standard approach.

The execution could be done on the best available exchange rate automatically or on a discretionary choice by the originating PSP



■ Automated execution ■ Discretionary execution
■ Both approaches possible ■ Others

Outcome - Central Exchanged Hub (CEH)

Way the execution of the exchange rate should be done

- Regarding the exchange rate, according to the FX Contact Group respondent, **the dynamic exchange rate should be also depending on amount thresholds** (for instance, different exchange rates could be provided depending on different size buckets)
- The FX contact Group respondent also indicated that:
 - A small number of dedicated liquidity providers would provide the incentives for each to invest in the necessary services here. **Inviting too many providers will reduce the incentives for anyone to make the needed investment to make the project work**

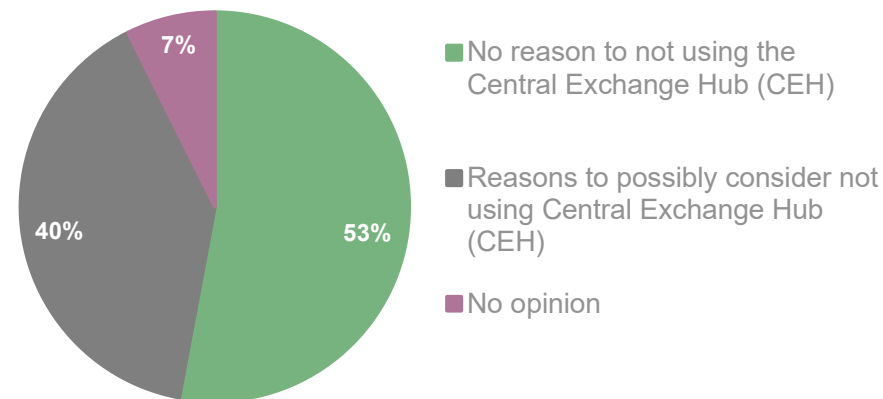
Outcome - Central Exchanged Hub (CEH)

Reasons to not use the CEH

- The views of the respondents are quite split.

A slim majority does not see reason to not use the CEH; about 40% would see reasons to look up for solutions outside the CEH

- The main reasons given to not use the CEH are:
 - The originating PSP or the receiver one can do FX by themselves
 - PSP could have bilateral agreement with institution(s) out of the scope of the CEH with better rates



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- Comments provided by the respondents to the survey

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Interest on having instant cross-currency settlement on TIPS – respondents' comments (1/6)

- We see Instant Payments as increasingly becoming the 'New Normal' for commercial transactions over the next 5 - 10 years. Our main focus beside our home currency CHF is EUR, particularly in the area of corporate clients / multinationals, but also in the retail space. For EUR we see TIPS as the Instant Payments system of choice, given the high reachability and possibility to utilize the liquidity on the IP Account for the minimum reserve requirements. Other non-EUR European currencies such as SEK or DKK are not our primary focus, but could become so in the future.
- Our respondents are expressing interest in settling payments in other currencies (in addition to EUR).
- Instant cross-currency settlement on TIPS in central bank money could indeed facilitate our business and product offering. In our views, we could avoid having intermediaries for instant retail Payment Versus Payment (PvP) without having to open an account in each currency. We could therefore be a pivot bank ourselves and capitalize on our clearing position. Besides, it would be more interesting to know if and how this initiative could fit into a scheme for cross border flows as interoperability and standardisation will be key. *(same comment was also provided by another respondent)*
- We are certainly on the path to improve quality of payments, that including not only speed but also reliability, transparency and security. That being so, settlement in central bank money would in principle be of our interest but perhaps some other aspects (price, reachability, currencies, counterparties) should be considered. At this stage of analysis and with so different possibilities currently under study an indepth analysis has not been yet effected yet.
- The proposition is interesting given that we're active in both EUR and SEK. With even more currencies to choose from the leverage of onboarding payment flows to TIPS would be even larger.
- This would allow us to settle other currencies than EUR also instantly, without having to participate in a specific Instant Payment scheme for the foreign currencies. As we have a broad international customer base, this would help not to discriminate the Instant Payments Service to EUR
- The precondition for our participation would be that we can decide in which currencies we want to participate
- Replacement of our current corresponding bank network by own services via TIPS
- This possibility would allow an easier settlement on the said currencies.

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Interest on having instant cross-currency settlement on TIPS – respondents' comments (2/6)

- We are strongly interested to develop cross currency payments in other currencies like USD, GBP, CHF, JPY
- This functionality is interesting for us, but our cross-border business with the Nordics Countries is not very important at this time.
- not volumes of payments in DKK and NOK as we do not have correspondent account. After having such an opportunity it could be possible to provide such service to our customers.
- We process a significant number of non SEPA & non Euro cross cross border transactions. The transfer is using swift network and corresponding banking model
- We would like to use advantages of Instant Payments in different currencies to extend accessibility especially for corporate clients. Moreover, an enlargement to cross-currency settlement on TIPS would, in our estimation, strengthen the internal market.
- Even if we have a limited volume of outgoing/incoming to the Nordics, we are interested in the functionality and especially if it is extended to other countries/currencies afterwards.
- Wir glauben, dass eine Umsetzung dieser Idee mit hohen Kosten verbunden ist. Bei einigen Währungen sind die Volumen sehr gering, so dass ein Nutzen nicht überwiegt. Alle Hauptwährungen der Welt sollten diesem System angeschlossen sein, um ein Nutzen ziehen zu können. Es muss eine währungsübergreifende Regelung getroffen werden, analog EUR.
- We are very interested in addition of other currencies on the TIPS platform, even if the Danish Krona and Norwegian Krona are not at the top of our priority list. As confirmed by our participation in several POC related to xborder SCT Inst payments (such as TIPS-BUNA and RT1-TCH) we believe that instant payment cross currency settlement could facilitate a transition to a new way to perform international payments that can help Banks to innovate and offer better service to customer (and of course fulfill the growing regulatory pressure in regards to transparency, speed, cost and inclusion).
- We could see that cross-currency settlement on TIPS might facilitate our FX business.
- Possible new business opportunities for CSM related customers

Annexes

Interest on having instant cross-currency settlement on TIPS – respondents' comments (3/6)

- The main challenge is to define a sustainable business case. The technical implementation of this service appears cost-intensive. For a few currencies, this service does not appear to be a viable option, as payment service users cannot be offered a fully comprehensive service. It will be difficult for PSPs to communicate and legally agree with its customers different ways to instruct a payment for transactions in the same currency. Such a service seems to be effective if it includes the world's most important trading currencies and the relevant global financial institutions/ payment service providers.

It should also be noted that currently the EPC's SCTInst scheme rules only support end-to-end euro payments. For cross-currency instant payments, it is necessary to have a comparable set of rules and standards binding between all parties involved in the processing and settlement .

It should also be taken into account that the requirement for sanction screening and fraud prevention currently still leads to high rejection rates, which generally limits the acceptance of potential users. There is an urgent need for regulatory relief and optimisation here.

For this reason, and with regard to accessibility, it appears necessary for the foreseeable future to maintain an alternative non-real-time based standard settlement channel.

Nevertheless, in general the initiative seems suitable for tying the processing of cross-currency instant payments to the PSP and therefore to ensure that they are under banking supervision. *(same comment was also provided by 6 other respondents)*

- Nowadays transactions made in SEK are limited, but extending to another currencies would be interesting regarding costumers expectations.
- Instant cross-currency settlement on TIPS would provide PSPs with the possibility of Liquidity Pooling in Central Bank Money and the possibility of closing nostro accounts. Cross-currency settlement in TIPS will allow us to offer our corporate and retail client base more streamlined and cost-effective payment services as the use of correspondent banks will be significantly reduced. In case the OLO initiative from the EPC gains traction, we also see opportunities for payment services offered to other financial institutions.
- It could be beneficial to be able to directly access markets for Instant Payments where currently in country no payment operations is available and therefore no direct access to these local schemes can be provided to our customers.

Annexes

Interest on having instant cross-currency settlement on TIPS – respondents' comments (4/6)

- We already have the intention to support cross-currency payments, and support for instant cross-currency settlement via TIPS will add to the options offered to our potential customers. Our rating is based on dialogue with our potential customers.
- Only a very small proportion of our customers make transfers in currencies other than the euro. Therefore this is not so important for us.
- We don't have much payments in other EU currencies other than EUR.
- We as CB do not have, at that time, any relevant business case
- Regarding our business, if our clients (public institutions) require these services, we could consider in what extent the cross currency settlement ease our daily management of currencies, for instance reducing the need of performing sales and purchases of currencies.
- Could potentially be of interest predominantly for private individuals/retail payments. Flows in SEK are in itself probably insufficient to warrant any investment but with currency extension this could change. Applicability to corporate segment is much lower unless certain hurdles are overcome as elaborated on later in our responses to subsequent questions in this survey.

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Interest on having instant cross-currency settlement on TIPS – respondents' comments (5/6)

- We don't have a lot of volume of cross-currency payments
- cross-currency payments in central bank money represent an extremely limited percentage of our payments activity
- Being a bank represented in the euro-zone and in the Nordic countries we already have solutions that cater for x-border payments within our markets, offering multi-currency account set-up for our corporate customers with representation in 2 or more of the markets covered by us. Cross-currency on TIPS would not add any additional value for our customers. Adding x-currency settlement in TIPS, following the outlined flows, would add extra messages and thereby also increase the cost for us. Further we have agreements in place to ensure effective and cost-efficient fx-conversion in all major currencies.
- Since all our cooperative banks (and other primary banks) are located in the Euro area and thus transfer mainly by euro, there is no customer demand.
- As the question refers to impacts on products we offer toward our customers, we have rated this low. Customer needs have in most cases no relation to the settlement processes, provided that the settlement service is stable, secure and accessible 24/7. It is important that central banks abstain from pricing toward customers and FX and do not subsidise these payment products. In case central banks offer additional services it could be a good compliment to commercial services. But should central banks make the services mandatory or subsidise them, it would have a detrimental impact on competition. Introducing a new process for cross-border payments changes the dependencies of liquidity. Currently, the cross-border payment is sent from each bank using the foreign currency via the sending banks Nostro agent. In another process cross-border payments would be initiated in the local currency via the local central bank, hence resulting in a need for additional funding for the local currency, thereby increasing the cost for local currencies. As a bank would still need to maintain a Nostro service for other purposes, it would result in having large costs for both.
- We see huge value in a multi-currency settlement solution for all payments within the SEPA schemes, not only TIPS. We do not believe a cross-currency settlement like the one discussed in this questionnaire is either needed or desired.

Annexes

Interest on having instant cross-currency settlement on TIPS – respondents' comments (6/6)

- We stand behind and share the ambition to increase European integration and maximize the reach of pan-european instant payments across currencies. However, we see limited utility in a central bank operated currency conversion feature or platform in the form it has been described. There are many questions still unanswered about the proposed solution. The main challenges in our view for enhancing reach across retail instant payment systems are not related to currency exchange in our view but rather two other factors:

1) The rules and practices (established by Financial supervisory authorities and local or regional banking communities) that govern access to regional or national retail payment rails including different national AML/screening sanction list requirements.

2) The extent to which liquidity provisioning PSP's are liable for payments submitted or received by other PSP's into national or regional retail payment rails

As also pointed out in the Swedish Banker's associations response to the European Retail Payments Strategy: "The ambition to extend availability of central infrastructures to cater for cross-currencies can be questioned for several reasons. First of all, we do not believe foreign exchange is a domain for central banks. Secondly, there is likely very limited demand in the near term. Additionally, the lack of global technical standards and different national AML/screening sanction list requirements makes it a difficult process and solution to develop. Prioritizing a complex and costly low volume solution does not appear justifiable." It is also unclear to us how the proposed solution would work in connection with different rulebooks in the different currencies NPC/EPC.

Annexes

Interest on taking up the role of a cross-currency PSP – respondents' comments (1/6)

- We could consider taking up the role of a cross-currency PSP under certain conditions. We understand that this would therefore mean opening an RTGS account in both countries (in both currencies) and eventually considering opening this platform to other players). In order to be able to play the role of cross currency PSPs further harmonized regulations and operating rules will be needed as managing two different legal and operational environments proves to be complex.

- Conditions for taking up the role of a cross-currency PSP:
 - Moderate implementation effort
 - Level Playing Field/ Binding Uniform Rules for the Participants
 - Sufficient transaction volume in the relevant currencies
 - Trading volume can be limited to ensure delivery capability
 - Allow the liquidity of all EU currencies on the respective MCA of the central banks of Europe to count towards the minimum reserve
(same comment was provided by another respondent)

- Our Conditions for taking up the role of a cross-currency PSP would be mostly the following:
 - Not to high implementation effort
 - Mandatory Standards for the Participants
 - Limitation of trading volume to ensure delivery capability
 - The liquidity of all EU currencies on the respective MCA of the central banks of Europe should at most count towards the minimum reserve.

- The role of cross-currency PSP would probably be linked to some architectural or technical burdens, and depend on the final technical solution.

- Our role analysis is still at an early stage, however we may evaluate as main driver:
 - 1) business prespectives
 - 2) costs synergy with current architecture
 - 3) widespread participation

- Our institution would consider taking up the role of a cross-currency PSP when a lot of other countries would participate in this initiative in order to make cross border payments easier, faster and also less expensive.

Annexes

Interest on taking up the role of a cross-currency PSP – respondents' comments (2/6)

- We are today market maker in all Nordic currencies, and has done considerable investments into FX services used by our customers. In a future scenario with a launch of cross-border instant cross-currency on TIPS, we will remain a very large market participant in all the Nordic currencies, as the TIPS volumes are only part of the total currency volumes handled by us. Hence we would consider to take up a future role as cross-currency PSP, both in decentralised model where we interact with other PSPs based on bilateral agreements, and in a centralised model where we quote FX-rates in TIPS for other PSPs to select. This would apply for all Nordic currencies, and two-way couples (SEK/EUR, EUR/SEK). We have not done an assessment of conditions at this early stage, as this is too premature. Our response is to be interpreted as an overall interest, however no commitment.
- We would only engage in such a set-up if we see a customer demand.
- It is mainly dependent on our clients and their needs and desires.
- depending on our customers requirements
- Based on the business demand on impacted currencies
- Based on the business on currencies impacted.
- We follow the needs of our customers in what concerns the use of FX. And we are aware that there is an increasing demand for convenient, reliable and cheap cross border and cross-currency payments.
- This depends on the currencies and on the market conditions
- In general almost same conditions as EUR payments, low spreads on the exchange rates
- If the commissions were very low compared to the current psp
- From the moment that pricing is important to the users of our payment's services it is certainly key. Ease of use, easy access and clear conditions would be a must.

Annexes

Interest on taking up the role of a cross-currency PSP – respondents' comments (3/6)

- We would need to make sure that the FX does not interfere with the speed and time constraints of Instant Payments, thus it would have to full STP, without any manual manipulations to set the conversion rates
- For us, this only plays a subordinate role. However, if this is offered by all relevant competitors, we will also implement this.
- We will follow the market.
- Other non-EUR European currencies such as SEK or DKK are not our primary focus, but could become so in the future. A central FX conversion layer could become interesting for low value payments (e.g. below 1000 EUR equivalent), under the condition that the applied FX rates are very competitive.
- Here we need to discuss what is meant. If the model is dependent on the cross currency PSP participating in both clearings directly there simply is no role for us. And in that case also an unlevel playing field is created in the transactional FX market.

If there would be a separate role, independent from the access to the underlying currencies then we could consider such a role. We are even of the opinion that this separate role should be included in scope of this cross currency initiative.

- Banks shall have the role of performing FX to ensure customer experience
- Our willingness of facilitating access to national and regional retail payment rails for other PSP's is contingent on what responsibilities we would bare for the payments (in terms of AML, sanctions and KYC) with respect to practices established by the Swedish and European financial supervisory authorities and obligations in relation to the Swedish and European banking sectors. For reference the SBA's response to the European retail payments strategy consultation: "Due to regulatory rules that moves the responsibility of the transactions to the account owner even if that party is not involved in the transaction the willingness to sell liquidity services is limited. A clearer definition of responsibilities between liquidity and settlement providers vs payment processing parties would enable a broader availability of liquidity and thereby enabling easier access for smaller banks to other instant infrastructures, which otherwise would create a barrier of entry and prevent broader availability."

Annexes

Interest on taking up the role of a cross-currency PSP – respondents' comments (4/6)

- In order to act as a cross-currency PSP there are a number of prerequisites and conditions that need to be clarified in order to be able to make the decision to become a cross-currency PSP.
Aspects like:
 - scheme compliance; is the linked payment model aligned to the scheme rules in regards to One Legged Out transactions?
 - KYC; does the cross-currency PSP need to on board all banks using their rates, is the CC PSP just a liquidity provider or does it has to do the full payment processing part as well including all rules and regulations that are part of that (e.g. sanction screening)
 - PSD; cost transparency for doing currency conversion. In the current process the Terms and conditions of either the ordering PSP or the beneficiary PSP will cover all aspects of the currency conversion (including timing, cost transparency etc.). How would this be covered when a third party would do this conversion 'in between' ?
 - Treasury challenges; if a position for a currency runs low because there is a peak in outflow between a currency pair, the position needs to be funded to not only be able to continue to be able provide currency conversion services but also not to jeopardise the processing for the payment flows for the cross-currency PSP itself. This would require a 24x7 operating treasury but also the availability of money markets to be able to obtain the currency that needs to be funded.
 - Competition/level playing field; in the current described solution only PSP's that hold central bank money accounts in the respective currencies, can offer conversion services. For future currency pairs within Europe without Euro as one of the legs it could be a challenge to find enough PSP's that have both currencies available to offer the cross-currency function.
 If in the end all those aspects are clarified a decision can be made for which currency pairs it would be beneficial to act as cross-currency PSP.
- Teilnahme aller europäischen Banken an TIPS
- That we will reach so many country as possible and reduce the correspondent banking accounts.
- A cross-currency PSP role implies that we are able to propose a global clearing service in the appropriate currencies to our customers. This is not the case yet.
- Generally speaking FX liquidity provision is a service offered by our FX business. Under the assumption that there is demand for third party FX liquidity providers to provide principal FX pricing and transaction execution services to the PSP, we would be interested to understand in further detail the scope of the expected offering as well as how the pricing and transaction flow in between the FX provider and the PSP would be designed, in order for us to assess and consider potential participation.

Annexes

Interest on taking up the role of a cross-currency PSP – respondents' comments (5/6)

- Not yet evaluated, but it will be necessary the presence of other important currencies also extra-Europe
- Internal analysis not yet started
- we do not have our own fx platform
- Can't comment at this point
- not specified yet
- We can't predict this at the moment.
- We do not intend to function as a PSP, we will therefore not act as a cross-currency PSP, but rather help our potential customers to fulfill this role if they request it. However, we believe that when considering the cross-currency PSP role, PSPs would benefit from having more detailed information on several critical aspects related to such a role, such as what the exact liabilities are for cross-currency PSPs, e.g. in the screening of instant cross-currency payments.
- At the moment we do not foresee the need/advantage to become a Cross Currency PSP. We would need further details regarding this role in order to be able to decide it.
- At the moment we do not see a strong business case for Treasury.
- we don't consider taking up such a role
- OUR INSTITUTION DONT WANT TO SET UP FX
- Not at all
- we are not interested to take up the role of a cross-currency PSP

Annexes

Interest on taking up the role of a cross-currency PSP – respondents' comments (6/6)

- not
- This role is out of the question.
- We would not offer such a service
- We would not offer such a service.
- We would not offer such a service
- No condition, this is something that the institution is not interested to do
- Einen solchen Service würden wir unter keinen realistischen Konditionen anbieten können.
- We currently do not envisage on taking the role of a currency-converting PSP, as we cannot see the customer need in our banking group.
- We would not offer such a service
- We would not offer such a service
- There is no interest from our institution to take up such a role today.
- This question is also related to our answer on question 8.
It seems to be limited to countries where we are direct participant on both sides? Depending on the currencies this is not our preferred operating model.
- We do not see any necessity to set up an FX competitive layer, understanding this layer within the proposed Central Exchange Hub.
The FX market is one of the most liquid markets in the world, where very narrow bid/offer spreads are widely available.
We do not see, with the information at hand, how the conversion layer would prove more competitive.
- No role

Annexes

Main barriers for the implementation of cross-currency instant payment solutions (1/8)

- no barriers
- Not as a barrier rather as prerequisite: the FX rate to be provided instant and the customer confirmation (accept the rate) to be processed in a fast (instant) mode
- PRIORITY OF OTHER PROJECTS ALREADY IN PROGRESS
- Time and resources, budgeted
- IP itself is not yet prevailing, there is still a lot of timeouts for various reasons on all sides, sending, receiving, intermediary... Before we proceed with currency exchange in IP, we must stabilize and popularize "normal" IP.
- There are obstacles of different nature, including technical/operational, legal and financial ones. All are important but the two latter can be seen as weighing heavily. Regarding legal risk, this encompasses a wide array of issues, such as the lack of harmonization in general rules (e.g. in exchange rules such as determining funds eligible for mandatory reserves), legal frameworks (e.g. AMLF/CFT, bankruptcy law, consumer protection) as well as governance. Concerning the financial aspects, as for any key changes in infrastructures, obstacles are related to the need to ensure that the costs of the investment will overtime be recovered, which depends on various factors (attractiveness / competitiveness of the solution compared to possible existing ones and, related to that, the volumes induced; the recovery modalities; etc.)
- When it comes to Instant Payments interest from payment service users that participate on the B2B space is low, perhaps because they would need to dramatically enhance their systems to take full benefit from IP; that's key. Different regulations, Security, Fraud and Compliance issues are also relevant barriers. If at the level of EU so many difficulties have been observed it is needless to imagine that are higher on the crossborder space. Finally different performance of different Instant Payment Services amongst different jurisdictions, despite works of Nexus Projects seem promising.
- Legal, x-rate management

Annexes

Main barriers for the implementation of cross-currency instant payment solutions (2/8)

-
- How can the differences in the schemes be brought into a common understanding for the customer
-
- A full standardization of the different IP solutions is needed to implement cross-currency solutions. An harmonisation of sanction screening regulations is also key to reduce the number of rejects.
-
- - small coverage of the service
 - potentially high fees
 - FX-risk of settlement
 - legal risk
 - operational risk
-
- Lack of globally applicable harmonised procedures (rules and standards)
 - Lack of globally interoperable Central Exchange Hub (CEH) infrastructures and usages
 - Transaction-based procedures for sanction screening. Account- based procedures are needed.
 - An expected relatively high rejection rate due to fraud prevention for cross- border transactions (*same comment was provided by 5 other respondents*)
-
- - Lack of rules and standards
 - Lack of globally interoperable Central Exchange Hub (CEH) infrastructures and usages
 - Transaction-based procedures for sanction screening. Account- based procedures are needed.
 - An expected relatively high rejection rate due to fraud prevention for cross- border transactions
 - no possibility of special conditions
 - lack of transparency in currency rate determination
-
- Deviations in standards

Annexes

Main barriers for the implementation of cross-currency instant payment solutions (3/8)

- The main barriers, in our view, would derive from a non-harmonization of the exchange rules (amounts, recall, determining funds eligible for mandatory reserves, ...). Also, we consider it important to have a legal equivalence framework (PSD2, AML/AFT, privacy, consumer and company law, bankruptcy law, etc.). Moreover, we should pay attention to the volumes at stake in this new facility, should the flows be significant in case of a wide usage across several large currencies (depending on clients' interests). Indeed, paying instant requires permanent mobilization of liquidity in TIPS, 24/7/365. With a view to improving fluidity in cross-border payments, we also welcome the Central Bank project of liquidity bridges across jurisdictions, that would allow sourcing liquidity in one currency from resources denominated in another one, by using existing payments systems
- Legal, compliance, fraud and tax frameworks could be a major upset
Risk as well as large amount could be exchanged cross-border instantly
- Management of AML/CFT (when sending and receiving an instant payment) and treasury forecast from a final client/originator point of view.
- - Liquidity acquisition
- Business hours and cut-off times of the different countries
- Legal barriers (for example sanctions screening)
- The compliance screening and the investments needed for the interoperability implementation
- As mentioned – the regulatory issues and possibility to attract cross currency PSP's will be an issue. Also, the flows described are highly complex, involving multiple message exchanges between several parties within a very short time frame. The technical complexity will further exacerbate the already existing issues within the instant payment schemes.
- FX rates
Charges management
Legal aspects for AML/Regulatory checks considering that non-sepa countries are involved in the payment chain

Annexes

Main barriers for the implementation of cross-currency instant payment solutions (4/8)

- The compliance screening and the investments needed for the interoperability implementation

- As main barriers for the implementation of cross-currency instant payment solutions could be conceivable different country law and regulations, lacking reachability within the system and/or Central Exchange Hub/currency conversion issues.

- FX conversion goes into the competitive space for financial institutions. Also, how could currency arbitrage be avoided? What is the exact time in the instant payments lifecycle when the FX rate will be applied? What happens in case of rejects, recalls, edge cases?
 - No globally applicable harmonised procedures (rules and standards) and interoperable Central Exchange Hub (CEH) infrastructures and usages
 - An expected relatively high rejection rate due to fraud prevention for cross- border transactions. Account- based procedures for sanction screening would be helpful.

- - keine Abstimmung zu einem einheitlichen Verfahren
 - fehlende Regelung bzgl. Betrugspräventionen - Ablehnungen

- The means by which the Fx conversion rate takes place. It's a challenge both at a technical and business perspectives.

- Technical implementation and the internal rules.
 - We are lacking a 24/7 FX market
 - Payments between different Rulebooks and different settlement models are difficult to combine
 - Unknown and unclear governance model for the central FX hub
 - GDPR issues - information about the payment shared with the cross currency bank
 - Participation needs to be voluntarily.
 - Limited resources due to other implementations

Annexes

Main barriers for the implementation of cross-currency instant payment solutions (5/8)

- Who converts into the target currency and when?
A gradual expansion would make sense: a) EU/EWR currencies, b) rest of the world currencies.

- Data: Different roll-out of ISO20022 formats,+ non standardised/structured data fields (such as address, account,...)
 - Technical: interconnection of real time payment in different time-zones
 - Operationally: Full transparency & real time screening of international transactions
 - Liquidity Management: real-time availability of prefunds in currencies. The FX markets are not yet instant.

- technical implementation
 1. Technical standards.
 2. Links between FMI's.

- The inherent dependency on a currency conversion in the middle. This causes a number of potential issues towards the corporate segments that need to be considered. From a client experience point of view, a client in Europe e.g. that needs to pay an invoice to a supplier in Sweden will either need to pay the invoice amount in EUR or in SEK. If the invoice is denominated in EUR the client can send it through the system but it will inherently be converted and end at the beneficiary in SEK. This may cause A) reconciliation issues, B) challenges on the beneficiary side due to the fact that FX margin was taken and as a result it is considered that not the full invoice amount was paid or C) the money arrives in SEK having been converted but the beneficiary in Sweden actually has a EUR account and meant to receive the invoice denominated in EUR on that account.

If the invoice is denominated in SEK the potential problem is that the client paying the invoice cannot denominate his payment order in SEK, as due to the way the system functions it actually needs to be sent in EUR only then to be converted into SEK by the system. But how will the ordering client know what amount of EUR to send in order to have the exact required SEK amount credited to the beneficiary following the conversion? In addition this can lead to problems in the ordering client's ERP system, where an invoice payable in SEK is paid in EUR causing reconciliation issues for the client.

Besides the technical challenges it is these kind of fundamental client issues in our opinion that can cause a barrier to the success of the solution if not carefully addressed.

Annexes

Main barriers for the implementation of cross-currency instant payment solutions (6/8)

- Settlement is only one of the essential components that needs to be taken care of when implementing cross-currency instant payments. It is also essential to define and clarify the exact liabilities for all actors in the end-to-end chain, such as liabilities of cross-currency PSPs in the screening of instant cross-currency payment, their ability to control who to accept as a customer when operating in that role etc. If not clarified and resolved in a sufficient manner, the potential or actual risks may deter PSPs from taking this role. With multiple PSPs involved, overview of the roles and responsibilities become more important, both to avoid double-work and gaps in monitoring and screening.
- Common set of rules and regulations across all schemes, level playing field for PSP's and CSM's, full reachability, compliancy (sanction and embargo screening), PSD transparency on FX pricing/rates.
- Sanction Screening, reachability of participants
- The main barriers, nowadays, are those regarding interconnectivity (systems or platforms), settlement and clearing model of cross-currency and AML and CFT Screen sanctions.
- Internal developments for the bank and the other CSM's.
- Central bank interoperability, high capex for ICT
- the interoperability
- Interoperability of platforms and adherence
- interoperability of clearing and settlement systems
- interoperability, missing format standards, data security

Annexes

Main barriers for the implementation of cross-currency instant payment solutions (7/8)

- Reachability and Interoperability: in order to assess whether the selection of one model may imply differences in the potential/effective reachability of the cross-currency settlement service actors and have in place a fully-fledged solution.
- expertise, experience, large amount of participants outside EUR zone
- lack of know-how
- Find a solution to apply the exchange in a fair but also profitable way
- That all can be done through one account and we won't need account's in foreign currency and it will be easier to manage liquidity .
- For FX liquidity provision, further details are required in regards to the design and scope.
- Zu wenige TIPS-TN und zu wenige Usecases
- technical solution, further developments, low volumes
- Defining how it would improve the service for individuals and businesses when making cross-border payments without interfering in the PSPs decisions about pricing, marketing and commercial initiatives for these payments.
- Arrangements are already being developed in the Nordics (P27), that cater for x-border/x-currency payments. There is little or no customer demand for a similar setup in central bank money. Please also bear in mind, that at the end of the day most payments/trades are ultimately settled in central bank money.
- From our point of view, the most likely approach is to buy or obtain foreign currency

Annexes

Main barriers for the implementation of cross-currency instant payment solutions (8/8)

- FOR OUR INSTITUTION, IS THE NON COMPLECATE PRODUCT AND OUR MIX OF CUSTOMER
- We don't have a lot of volume of cross-currency payments
- It is our view, that moving volumes from existing services to the TIPS cross-border and cross-currency service would create a shift from the use of commercial bank money to central bank money which in turn would increase the cost for keeping additional liquidity and additional collateral in the central bank as volumes processed over the central bank account increase. This in comparison to the case of the bank sending and receiving payments through correspondent banks or non-central bank market infrastructures. Also, as TIPS uses a transaction based clearing and settlement process, using TIPS would increase transaction costs on volumes over TIPS compared to transactions over correspondent banks and non-central bank market infrastructures. In the context of currency conversion for SEK/EUR, considering the fact that Sweden is a SEPA country and most Swedish banks directly or indirectly already are members of market infrastructures for SEPA Instant Credit Transfers settling in central bank money, and the fact that this already enables banks to send and receive instant credit transfers from Sweden into SEPA and vice versa, one could argue, that a cross-border and cross-currency service over TIPS will only cannibalize on the already existing SEPA service through Swedish banks. We find adding a new service as a complement to an existing one without any specific need being satisfied, is both from a financial and an efficiency perspective not viable. In the case of the SEPA Credit Transfers, the currency exchange is done in the respective bank.

Annexes

Settlement model described in the [Technical Note](#) provided by 4CB, Riksbanks and the ECB – respondents 'comments (1/5)

-
- The described model is reasonable & accurate.
-
- We consider that STD model fits best our needs.
(same comment was provided by another respondent)
-
- The described model, in our opinion, is simple and clear.
-
- Yes, it meets our expectations.
-
- It is appropriate, we have no comments
-
- The standard settlement model respecting the EPC SCT INST scheme is the one to follow. The payment confirmation message by the beneficiary PSP is important not only as regards the settlement risk but also to avoid potential frauds and operational issues (account closure due to client deceased, ongoing inheritance procedure, compliance matter, client changed bank, ...).
-
- As far as SEK is concerned we can agree but the model need to be re-assessed for each currency
-
- It could have an executive summary describing the business applications of the model
-
- at this stage, everything sound pretty clear, but it is too early evaluate how complicated will be software development of bank's core system
-
- As fas as we are aware, there are more than one model and would be interesting to understand them in perspective.
-
- On a first reading it seems clear and easy to deploy but I prefer to effect an in-depth analysis with my colleagues. Taking into account that a a proper analysis requires it to be thoughtful, I'd prefer to be asked somewhere different from the survey, thus being able to share it with the different stakeholders potentially affected.
-

Annexes

Settlement model described in the [Technical Note](#) provided by 4CB, Riksbanks and the ECB – respondents' comments (2/5)

-
- The settlement model seems adapted. However, we wonder how cross-currency transactions will be priced to make it attractive for PSPs to play the role of cross-currency PSP. Indeed, the results of the questionnaire will help determine whether there is a business case for it.
-
- It is important to consider the complexity of transaction flows and how liabilities for the screening of instant cross-currency payments are shared among the involved PSPs
-
- Further clarification on scope and design required
-
- Yes - It seems quite reasonable and straightforward to envisage PSPs holding central bank money accounts in the supported currencies and be able to process non-EUR payments in a more centralised, efficient and less costly manner.
 No - It does not seem realistic, necessary or free-market fostering having beneficiary PSPs and remitting PSPs agreeing on conversions for the following reasons:
 - a) Beneficiary PSPs will always hope to receive payments in different currencies to be able to make a profit when converting payments into the right currency. What motivation would they have to welcome the conversion from the remitting bank?
 If the system allows bene PSPs to respond, agreeing or rejecting the conversion, beneficiary PSPs could systematically reject the conversions when proposed by remitting bank rendering the solution useless.
 If a bene PSP were to respond “truthfully” to the conversion request, they would first need to set up an internal process to do so, meaning that some sort of mechanism would need to be implemented, at the cost of the bene PSP to query the bene account, discern on its currency and respond correctly.
 - b) Remitting PSPs will always aim at providing the best possible service to their clients by issuing the payment in the right currency i.e. currency of the bene account, when possible.
 By doing so, they already control the FX rate and overall cost of the payment, cost that may be structured differently (fees, FX margin) depending on the chosen commercial approach.
 - c) Nothing would prevent a PSP from leveraging on the information provided by a beneficiary PSP, when agreeing to the proposed conversions, to perform subsequent payments into the same accounts outside of TIPS in the right currency, where the FX rate would remain unknown to the beneficiary.
-

Annexes

Settlement model described in the [Technical Note](#) provided by 4CB, Riksbanks and the ECB – respondents comments (3/5)

- The solution is not yet described in sufficient detail to allow a deeper assessment and evaluation.

However, the secure interaction between TIPS and the CEH as well as the decentralised model must be agreed in a binding manner for all parties involved.

Furthermore, it must be ensured that the currency conversion rate list provided by the CEH remains valid for a sufficient period of time after the rate has been requested and provided, therefore there is a binding process for the currency deal necessary.

Simply requesting an currency conversion rate does not seem to be sufficient. For the duration of the payment process, settlement on the basis of this currency conversion rate must be guaranteed. Every single transaction in the currency deal must be binding from a certain point in time.

(same comment was provided by 6 other respondents)

-
- The solution is not yet described in sufficient detail to allow a deeper assessment and evaluation. Simply requesting an currency conversion rate does not seem to be sufficient. For the duration of the payment process, settlement on the basis of this currency conversion rate must be guaranteed. Every single transaction in the currency deal must be binding from a certain point in time.
-
- Focus in the note has been on the FX rather than how the proposed service would aid the existing challenges in the market, for example to enable an easier onboarding for various actors in the market (e.g. smaller banks) or facilitate the liquidity management.
-
- I don't see how the system decides that it is a cross-currency payment. Example: Originator sends out EUR to a bank in Denmark. Who decides that it will undergo a currency exchange? How will the FX fees be invoiced?
-

Annexes

Settlement model described in the [Technical Note](#) provided by 4CB, Riksbanks and the ECB – respondents' comments (4/5)

- The settlement model does not provide the possibility for participants to connect in such a way that single currency access to all the available currencies in the TIPS environment is possible without access to the applicable RTGS systems. We understand that the access is currently limited by rules set at RTGS, but do want to highlight that this limitation does have an impact on the usability of the model from a client perspective (see earlier example where unnecessary FX conversion can not be avoided) is limited, as well as it creates an unlevel playing field in light of the provider of the FX conversion.

Although this initiative can not take the scope of the RTGS access into account of the development, sure there is a responsibility to take the effect of implementing the model in the current circumstances (including the rules and regulations set by the related RTGS systems) into account and as such avoid implementing a model which would create level paying field/competition issues.

- The specific settlement model described is one model possible to allow for settlement in central bank money. There are other models possible which could be as efficient as the chosen one. However the impact on detailed level on Scheme, operational models, sanction rules etc. need to be understood much better before any conclusions can be derived from any solution description.
- No guarantee that every PSP can act as cross currency PSP
- We are worried in relation to the increased number of messages compared to the current correspondent banking set-up, and we would like to have the exchange rate fixed at the sender PSP side, avoiding risks of change of fx-rate between time of getting the fx-rate and time of executing the payment. We believe that the most simple and efficient method is to have the fx-rate fixed at sender PSP, avoiding having a central fx-rate counterpart (the CEH) and reduce the number of messages between the involved parties, thus also the costs and risk of delays. Finally the model does not seem to cater for payments where the beneficiary customer has requested a specific amount in the currency of the beneficiary, thus requiring the sending bank to make a payment in that currency and consequently debiting the ordering customer in the currency of the ordering customer at time of initiation the payment.

Annexes

Settlement model described in the [Technical Note](#) provided by 4CB, Riksbanks and the ECB – respondents' comments (5/5)

-
- As mentioned: A clearer definition of responsibilities between liquidity and settlement providers vs payment processing parties would enable a broader availability of liquidity and thereby enabling easier access for smaller banks to other instant infrastructures, which otherwise would create a barrier of entry and prevent broader availability
-
- Es ist schwierig mit den bisher bekannten Informationen eine Bewertung vorzunehmen. Beachtung des Währungskurses für end to end Betrachtung der einzelnen Zahlungen. Verbindliche Regelung des Währungshandels.
-
- Zu wenig Zeit, dies zu beurteilen.
-
- currently not planned, so further analysis needed
-
- Further analysis needs to be done
-
- more details needed
-

Annexes

The preference regarding the role that the cross-currency PSP could take – respondents' comments (1/3)

- Reducing the liabilities of the cross-currency PSP would likely make it more attractive to take on the role.
- Transaction flow will be simplified and will reduce the chance of incidents if cross-currency PSP act as a liquidity provider.
- If this is covered by clear (regulatory) rule sets when being a cross currency PSP, yes the preference is to only provide the conversion/liquidity service without any other obligation which normally comes when being an intermediar in the payment processing.
- We do not see a need to involve currency provider on payment chain; it would be a non-necessary participant to assure good and smooth management of underlying payment..
- Yes but more importantly to us we would prefer a model where there is no inherent dependency on a very limited number of institutions that can fulfil the role of cross currency PSP due to the inherent requirement of having to be a member of both clearing systems. This is from a competitive level playing field perspective preferable
- This would need to be validated against the FATF guidelines by the regulators / system operator, since the FX providing PSP would be part of the payments value chain and therefore is in some form accountable for the transaction.
- Sounds more secure from a personal data POV to keep informatio-sharing about payer/payee to a minimum
- Above stated is correct and xcurrency PSP must perform its tasks with needed information only.
- For the sake of privacy
- It is important to consider the responsibility issue regarding the liquidity provider in this scenario (e.g. AML)

Annexes

The preference regarding the role that the cross-currency PSP could take – respondents' comments (2/3)

- As validation and checks are already mandatory by sending and beneficiary bank, it would add additional costs with no purpose if the currency psp also should perform checks on sender/beneficiary information.
- The cross-currency PSP shouldn't be implied in the sanction screening obligations.
- At least regarding to data economy / data protection
(*same comment was provided by 7 other respondents*)
- Due to the fact that we are lacking a 24/7 FX market today the question is not relevant for us
- But we have not yet defined
- Specific additional functional requirements will be to manage price list according the amount, client type (premium, VIP, standard, ...) and currency type ("classic" or "exotic").
- In case the Cross Currency PSP acts as an intermediary, before choosing the best FX rate for a transaction, it is also needed to know the rest of conditions or value added services associated to this cross currency PSP.
- Subject to understanding the scope and design (see question 2) in more detail.
- Wie bereits oben angesprochen, muss gewährleistet sein, dass die CEH Kursliste seine Gültigkeit behält.

Annexes

The preference regarding the role that the cross-currency PSP could take – respondents' comments (3/3)

- unsure why would the separation of payment chain and settlement be adding efficiency
- We need more information and details on the topic.

Also we would like to see option to have not only direct but also indirect participation model.

- cross currency PSP should be considered as an intermediary.
- Due to the fact that we have to report all details related to the payments to the authorities, we need to receive all information.
- For various reasons we prefer a model where the cross-currency PSP is acting as a “normal” intermediary in the payment chain. One reason would be to have the same processes in place for cross-currency payments as for EUR payments in TIPS. Another reason would be compliance concerns as we see issues with providing liquidity for payments without being able to screen the actual transactions funded with our liquidity.
- Notice: We are opposed, as we are convinced the liquidity provider would be considered as a provider for a given transaction and will thus be responsible for the date exchanged (similar to the difference between a MT202 and a MT202COV.)
- We do not see any value, or necessity, in creating an FX solution for this model.
We appreciate and support the ECB's aim at fostering more efficient payments infrastructures that will necessarily improve the service individuals and businesses receive when making cross-border payments but, the FX conversion matter is, in all of this process, already very likely to be the most efficient of all steps.
- At this early stage, we have not yet done a full assessment of this and has not specifically considered the available options.
- Further analysis needed

Annexes

CEH and the specific additional requirements – respondents' comments (1/3)

- Technical connection via API. Storage of historic FX rates.
- beside the API technology mentioned prior
- API based access
- It should provide an invoice model for FX fees
- It must be ensured that the currency conversion rate list provided by the CEH remains valid for a sufficient period of time after the rate has been requested and provided, so that a binding overall process for the currency deal is given.
- The creditworthiness and reliability of the providers must be sustainably ensured.
(this comment was provided by 7 other respondents)
- Wie bereits oben angesprochen, muss gewährleistet sein, dass die CEH Kursliste seine Gültigkeit behält.
- Correction for fx-rate with same day settlement vs. normal 2 days spot, as the current fx-rate quotation is done for spot settlement (T +2 days). Potential liquidity and pricing issues concerning the included currencies around large events (e.g. monetary policy announcements from the central banks) needs to be addressed. Issues with providing fx-quotation during holidays and weekends, where liquidity in the fx-markets are very limited/non existent would also need to be addressed with TIPS being a 24/7/365 settlement system – this also introduces concerns related to customer booking and interest calculation on customer accounts. These issues must be dealt with in the requirements specification and solution design. There may be potential issues in relation to the revised (EU)924-2009 Regulation and the obligation we have re. informing customers initiating a cross-border payment.
- Add marges on chosen FX rates,
To have the FX info upfront (as required by the PSD2 regulation)
Really insure competitive FX

Annexes

CEH and the specific additional requirements – respondents' comments (2/3)

- Basically, it needs to be considered that there are regulatory rules and guidelines for trading via an electronic platform (e.g. Counterparty limit, Market conformity, Reporting).
The CEH needs to operate with a robust rule book similar to an MTF specifying rules about quotes, e.g. quote sizes, quote lifetimes. A robust system for submitting quotes and withdrawing them needs to be designed. It needs to be decided if payments trigger a request for a quote for that payment to a cross-currency PSP or whether cross-currency PSP need to provide constant quotes into the system, and if so if there is an obligation to quote over certain hours up to a certain size. Quotes always need to allow for the size of the FX transaction.
Furthermore it needs to be decided if quotes are visible to all participants (lit pool) or a dark pool, or how else feedback can be provided to those who quote on that system who may be taken on not insignificant market risk for larger quotes. Reference should be made to the FX Global Code particularly for operators of trading platforms.
- "An embedded FX Service as part of instant payment cross currency would allow for a better pricing/rates to be offered as then (close to) real-time rates can be offered, where as providing rates into a central service would have the need for Fixed Rates (24hr etc) which wouldn't be as beneficial to PSP's using these rates. Additionally the non functional aspect are very important; the number of currency pairs times the number of PSP's offering these can easily multiply, as stated above the more actual the rate that can be used can be published the more beneficial it is to the consumers. This requires a services that is highly scalable and must be able to process a high number of updates and inquiry requests."
- Specific additional functional requirements will be to manage price list according the amount, client type (premium, VIP, standard, ...) and currency type ("classic" or "exotic").
- The potential issue described above under 6. will need to be addressed. It is from an originating PSP point of view of course better to be able to select the most competitive rate but this concerns the rates handled in the interbank space between the participating PSPs and are not known nor relevant for the underlying customer making the payment. If a EUR based customer has to make a payment to pay an invoice denominated in an exact amount of SEK how will he be able to figure out how much EUR to send in order to establish this? His own bank will have their own FX rates and margins towards the underlying customer independent on what's offered in the interbank space on this central exchange hub, and this CEH has by definition a multitude of possible rates without any upfront certainty on what the ultimate rate that will be applied will be.

Annexes

CEH and the specific additional requirements – respondents' comments (3/3)

- In case the Cross Currency PSP acts as an intermediary, before choosing the best FX rate for a transaction, it is also needed to know the rest of conditions or value added services associated to this cross currency PSP.
- Provided the CEH remains an optional service we have no further requirements
- Such a CEH would act as an alternative for the foreign exchange market.
- We consider FX to be banks' responsibility for ensuring customer experience
- We have continuously invested significant resources to develop a sophisticated system in order to offer our customers the best possible FX rates, also for their payment flows. We are hesitant on how the proposed Hub would work in the situations when the payment flow originates from one financial market participant and then transferred to another market participant that would perform the FX conversation. Irrespective of that, if there is a convincing need for the Central Exchange Hub, it would need to be built up to correspond to sophisticated and varying needs.
- Our view is in accordance with the SBA's: "The ambition to extend availability of central infrastructures to cater for cross-currencies can be questioned for several reasons. First of all, the SBA does not believe foreign exchange is a domain for central banks. Secondly, there is likely very limited demand in the near term. Additionally, the lack of global technical standards and different national AML/screening sanction list requirements makes it a difficult process and solution to develop. Prioritizing a complex and costly low volume solution does not appear justifiable."
- As expressed before, we do not foresee the need or the convenience of implementing any solution for the FX conversion. We think that this initiative should focus on improving the cross-border infrastructure and allowing multi-currency settlement within, at least, all SEPA payments.

Annexes

CEH and the way the execution of the exchange rate should be done – respondents' comments (1/3)

Automated approach

- This should be operated in a fully automated way without human interventions in the time-critical path.
- Without automated execution the whole process will take too long
- automated execution appears to be the simplest way to handle
- We would like to be involved less in the process.

Discretionary execution

- Eine Standardisierung / weniger Aufwand wäre gewährleistet, wenn CEH Ausführung durchführt. Einfache Verfahrensweise, wenn man selber günstigsten Anbieter auswählen kann.
- As mentioned before, PSD rules requires (transparency) that end customers know which rate will be applied for any payment which are covered in the Terms and conditions of the bank where there account is. So in the end PSP's have to be able to give this transparency to their customers. How this can achieved with the proposed solutions is a challenge and needs further elaboration/thinking.
- A discretionary execution would enable each PSP to choose the best process for its activity.
- We consider FX to be banks' responsibility for ensuring customer experience
- To be able to choose the cross-currency PSP we want to work with (strategic partnership for example)
- Discretionary execution would be the preferred solution. It will enable smaller banks to enter into bilateral agreements with larger banks as part of a more strategic partner relationship. This is also more similar to today's model where larger banks provide foreign currency services to the smaller banks as part of a broader service concept.
- Our view is in accordance with the SBA's: "The ambition to extend availability of central infrastructures to cater for cross-currencies can be questioned for several reasons. First of all, the SBA does not believe foreign exchange is a domain for central banks. Secondly, there is likely very limited demand in the near term. Additionally, the lack of global technical standards and different national AML/screening sanction list requirements makes it a difficult process and solution to develop. Prioritizing a complex and costly low volume solution does not appear justifiable."

Annexes

CEH and the way the execution of the exchange rate should be done – respondents' comments (2/3)

- We prefer that decision to choose between automated or discretionary should be left to every PSP decision.
- Possibility of choice by originating PSP must be allowed from the point of view in an international ownership structure or a banking group present worldwide.
- Customers may have already existing agreements with their primary bank or others on currency conversion and should not be excluded from having these.
- The originating PSP must always have the choice of his cross-currency PSP. The criteria of the best exchange rate is not the only one.
- Due to cooperation arrangements that go beyond TIPS and exist beside, it might be conceivable that a certain provider will be selected regardless of the capability of the most favourable provider.

On the other hand, the option to indicate the cheapest cross-currency PSP makes things easier for payment service providers if they generally intend to choose the cheapest cross-currency PSP.
(this comment was provided by 6 other respondents)
- We consider that it is best to keep both approaches possible because the technical architecture of each institution could require both approaches. Once further documentation is available we will be able to decide which approach is the most convenient for our institution.
- We believe this will be done with the choice of partners and via a commercial agreement with the cross-currency PSP. In the correspondent banking, there are certain guarantees. For example, if the market collapses and there is no more liquidity in the desired currency, the correspondent bank is committed to provide the currency. In addition, for the exchange rate to be automated and taken care of by the CEH, we should realize that beyond the exchange rate there are also additional costs and fees. This is why the CEH will have necessarily to make sure that we are comparing the same costs and the same fees.
- we believe that having the possibility to choose among the two different models is very useful, especially during early stages after the service launch, even if our preference would probably be for an automated execution.

Both approaches possible

Annexes

CEH and the way the execution of the exchange rate should be done – respondents' comments (3/3)

- From our point of view it could be useful to have a flexible mechanism of choosing the FX rate depend on different businesses, agreements with final clients or concrete interests
- Depending on the customer situation
- The opportunity to indicate the cheapest PSP makes things easier for payment service providers if they generally intend to choose the cheapest cross-currency PSP. On the other hand bilateral arrangements that exist beside can lead to a standard partner as cross currency PSP.
- By default we prefer working with our preferred main liquidity providers. However, in some particular use cases we may opt for a CEH for currencies where we are less present.
- Support of both approaches will allow the PSPs to choose their preferred approach. Transaction costs are likely to impact this as well.
- In principle this depends on the rule book design of the CEH and if it conforms to the standards of the FX market. Therefore, it will be not useful to opt for one of the options mentioned below.
- Exchange rates must be left to the sole discretion of PSPs doing the conversion. Applied rates may vary greatly from one another given the different pricing structures and commercial approach that each PSP may decide to implement in a free market.
- As elaborated earlier we do foresee many problems with the central currency conversion model, which makes it impossible to comment on the best standard approach for such a model. We simply do not see a viable way to achieve this within the proposed model via the automated execution and neither the discretionary execution way.

Others

Annexes

CEH and the reasons to not use it – respondents' comments (1/3)

-
- We believe it would be necessary to preserve the two options and also allow the possible solutions outside the CEH. Indeed, it is important that the central bank builds a Central Exchange Hub that will not restrict competition. Opening the CEH to other actors could be envisaged as long as the principles of the same level playing field for every actor are respected (same activity, same risks, same rules, same supervision).
-
- As Originator or receiver bank , I can do the FX myself (Transfer currency is different from account currency), and thus initiate single currency transactions via the system
-
- e.g. group solution
-
- the originating PSP could provide exchange services
-
- Depending on the currency we can be our own liquidity provider without the need of a CEH for cross-currency transactions.
-
- We would use already existing setup which we are confident with and which is valued by our customers. Customers using our internal systems would not benefit from this service (CEH). There are already existing 'central exchange hubs' in the marketplace which function well, and do not need to be substituted by the CEH. TIPS could link to these platforms.
-
- We could have, as originating PSP, a best agreement with an institution out of the scope of the CEH.
-
- It might be the case where you have bilateral agreements with third parties which offer you better conditions than the CEH does.
-
- Bilateral cooperation arrangements could lead to the hub not being needed. Moreover, since the specifications for a CEH are not yet described in sufficient detail, it cannot be ruled out that reasons for refusal may arise in the future.
-

Annexes

CEH and the reasons to not use it – respondents' comments (2/3)

-
- Bilateral cooperation arrangements going beyond this could lead to the hub not being needed. Moreover, since the specifications for a CEH are not yet described in sufficient detail, it cannot be ruled out that reasons for rejection may increase.
However, multi-currency settlement in real time does not seem feasible without such a central function, especially for a large number of small and medium-sized PSPs , with a local or regional area of business.
(this comment was provided by other 7 respondents)
-
- only if best rates are provided by decentralized model
-
- if functionalities specified on question 9 and 10 are insured
-
- Es fehlt eine detaillierte Beschreibung der Vorgaben für den CEH, daher ist eine Nicht-Nutzung mit aktuellem Stand durchaus möglich.
-
- An embedded FX Service as part of instant payment cross currency would allow for a better pricing/rates to be offered as then (close to) real-time rates can be offered, where as providing rates into a central service would have the need for Fixed Rates (24hr etc) which wouldn't be as beneficial to PSP's using these rates.
-
- If the ambition is to enhance reach in cross border/cross currency instant payments our view is that it would be more interesting to investigate how central banks could coordinate their efforts in a way that would allow PSP's to cheaply and efficiently open and maintain own TIPS accounts in different currencies.
-
- This depends on the design of the rule book and for the CEH and how well it works to provide FX Liquidity. We believe that there are many choices for PSPs to obtain FX quotes in the FX market.
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- We have not done an full assessment at this early stage. With reference to our response on question 9, we are at the moment hesitant on how the proposed Hub would work and whether it will be sophisticated enough to correspond to our needs.
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Annexes

CEH and the reasons to not use it – respondents' comments (3/3)

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- Not in principle but it would depend on performance and convenience on their comparison to eventual different systems. We are fully committed to providing best possible service to our Payment's users that including all aspects that impact on payment transactions.
-
- We consider FX to be banks' responsibility for ensuring customer experience
-
- CEH should not be implemented at all.
Members' resources should not be used to implement a solution that will not solve any existing problem.
The intended improvement of services for individuals and businesses should be addressed by searching a simpler and more cost-effective infrastructure like a multi-currency service, not only for TIPS but for all payments within SEPA.
-
- In line with our earlier answer, we don't see a viable way to use a central exchange hub and as such would not opt to use it in its current setup. In summary (with some repetition from earlier answers):
We see customer interest in being able to do instant cross currency payments but not in favor if FX conversion has to be done in the TIPS platform, for us FX conversion should be done at Ordering or beneficiary bank party if the central FX conversion platform is used, how would the ordering party be informed before initiation of the payment ?
PSD2 rule: the customers need to be informed of any fee & conversion rate expressed in amount before sending the payment for execution: this rule seems to be in contradiction with the cross currency conversion platform.

We would expect Customer interest in cross currency payments however the proposed set up is problematic due to:
the CEH which is limiting competition through requirement of direct access to both clearings for those who can offer the service.
Practical issue of 'estimating the correct countervalue' in our channels (although point 9 seems to suggest a possible solution)
Fact that it seems this set up will not support 'mono currency instant payments' (ie between SEK account outside Sweden to SEK account inside Sweden).
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