Cross-currency settlement on TIPS; outcome of the Swedish consultation

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SVERIGES RIKSBANK



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Consultation of the Swedish market

- Consultation distributed to RIX-RTGS participants, the Swedish Bankers' Association, P27 and Getswish AB
- Same set of questions as the ECB + 3 additional questions
- Published on the Riksbank's website
- 9 replies received in total; major banks, infrastructures and the Swedish Bankers' Association



Sweden only questions

- To what extent has new actors changed the market for cross-currency payments
 - Increased customer focus, transparency, ease of use and swift execution
 - Increasing competition from non-banks

• Future developments and trends

- A number of ongoing initiatives in the area of cross-currency
- Blockchain has a potential to make payments cheaper, easier and more secure
- Central banks have a role in providing liquidity and settlement services
- Considerations as regards design of an instant cross-currency settlement function
 - Reducing the number of messages
 - A 24/7 FX-market should be in place
 - Facilitating liquidity management



Overarching view

- Major banks see limited demand for a cross-currency settlement service, claiming that there are already existing solutions and ongoing initiatives.
 - Increasing number of messages => costs
 - Keeping additional liquidity and collateral => costs
- Infrastructures and smaller banks have a more positive attitude
 - Addressing demand from end-users and market participants
- One major infrastructure provider referred to an increasing demand from international merchants for an instant cross-border payment solution, in addition to its succesful national solution



Advantages & barriers

Advantages

- Settlement in central bank money as a complement to commercial services
- Broadening service options, especially for smaller banks
- Increasing efficiency and bringing more flexibility

Potential barriers

- Unavailability of a 24/7 FX-market
- Diverging rules and practices, especially regarding supervision and AML
- Different rulebooks for different currencies, SCT-Inst and NCT-Inst
- Payments in the receiving currency not catered for



CEH & Timing

Central Exchange Hub (CEH)

- Varying interest for a Central Exchange Hub
- Having access to a large number of currencies was considered beneficial
- FX conversion considered as an issue for the private sector

Timing

- The banking industry bring forward 2025/2026
 - Several large projects ongoing (e.g. ISO, RIX-INST, P27 implementation)
 - The three Nordic central banks should be onboarded on TIPS and in stable operations
- Infrastructures are open for a shorter timeframe



Many thanks for your attention!