# Buna response to CPMI consultative report about (Extending and aligning payment system operating hours for cross-border payments)

**January 14th, 2022**

1. Can the extension of real-time gross settlement (RTGS) systems' operating hours materially contribute to achieving the cross-border payments targets endorsed by the G20, especially in terms of speed?

   **Buna:** Yes, extending operating hours of RTGS systems increases overlaps between different RTGS systems across different regions and jurisdictions, and extends the Global Settlement Window, and hence reducing the time required for cross-boarder payment processing. This will have a very positive impact on the speed of cross-border payment.

   In addition, extending the Global Settlement Window will improve access to cross-border payment, especially for payment sector, including retail and remittances.

   On other hand, extending operating hours can decrease some risks by supporting liquidity bridges and PvP settlement for FX transactions, but increase other risks, such as operational risk and participants' liquidity risk, and hence has an impact on the cost. This impact could be positive or negative depending on the total risk and the associated cost of the required mitigation. Furthermore, extending operating hours requires higher operational cost, including changes to existing systems, platforms, infrastructures, and staffing, which may increase the associated cost; However, increasing the values of the flows shall compensate this cost, and hence is expected to have a positive impact on the transaction cost.

   We see that the ultimate goal is to reach End state 3 (24/7), which will have the most positive impact on cost, speed, and access.

2. What additional actions would be needed by the public sector and/or private sector entities, beyond those described in the G20 roadmap (see Annex 3 of the current report), to facilitate the extension of RTGS operating hours and realise the benefits that could result from extended RTGS operating hours?

   **Buna:** We recommend that central banks and clearing banks eliminate any account overnight negative charges that are applicable on certain currencies to make the interlinking between international PMIs and domestic PMIs / central banks more cost-efficient. This will increase the possibility for implementing 24x7x365 cross-border / cross systems payments with the maximum number of currencies worldwide, leading to an overall reduction in transaction costs and a better customers experience overall.

3. What benefits for cross-border payments other than speed do you perceive would accrue from an extension of RTGS operating hours? What additional domestic benefits for a jurisdiction do you perceive?

   **Buna:** We envision there will also be a cost advantage since the facilitation of cross-border payments outside the standard operating hours shall increase the feasibility of interlinking PMIs worldwide, giving end users an option to reduce the dependency on other traditional and more expensive alternatives.

Access to payment services is also envisioned to increase at both originating and receiving ends being a natural result of reduced costs. Additionally, values of the flows will be expected to increase, as having more options to send payments cost-effectively shall lead to a higher frequency.

Linked to the previously mentioned point, domestic jurisdictions, especially on the receiving end, are expected to benefit economically from the incremental inflows.

4. How well do the three identified end states capture key scenarios that individual central banks/RTGS system operators should consider as they assess current RTGS operating hours and plan for the future? What additional end states or refinements to the end states would you suggest?

   **Buna:** Whilst we see the three end states approach a progressive and pragmatic one, we recommend fast-forwarding the efforts towards end state 3. Our view is driven by the increased need for 24x7x365 cross-border payments especially in the retail sector (personal remittances and digital commerce), and since typically retail fast payment systems around the world are dependent on RTGS systems in various aspects, any successful interlinking of fast payment systems worldwide can be affected if RTGS systems do not support similar extended operating window.

5. Which end state, out of the three identified or another one you may want to consider, do you believe strikes the best balance between improving cross-border payments and managing the associated challenges?

   **Buna:** We believe that end state 2 strikes the best balance. However, we aspire to fast forward to the end state 3 on the soonest possible opportunity to support our ambitions of interlinking our instant payment system with other PMIs around the world

6. If the RTGS system in your jurisdiction has not yet reached the end state signaled in the previous question, what time horizon (number of years from now) would you envision for reaching it?

   **Buna:** We serve a large geography of more than 20 countries with various levels of advancements in domestic RTGS systems, we anticipate a wide spectrum of timelines depending on each country's situations, ranging from 2 – 10 years.

7. As a result of end state 3, which involves 24/7 RTGS operating hours, do you anticipate demand for 24/7 operations of RTGS systems in the future? If so, what do you expect to be the main drivers and over what time horizon do you expect this to happen?

   **Buna:** Yes, demand will be driven by more instant payment systems being launched worldwide, where typically they are dependent on RTGS systems to manage liquidity for participants in these systems.

   In our case we serve a large geography of more than 20 countries with various levels of advancements in domestic RTGS systems, we anticipate a wide spectrum of timeline depending on each country's situations, ranging from 2 – 10 years.

8. Would your organisation make use of and/or benefit from extended RTGS operating hours?

   **Buna:** Yes, our cross-border payment services, both RTGS and IPS (FPS), are dependent on the domestic RTGS systems in the countries of issuance for currencies enabled on our system. Our participants in these countries rely on RTGS systems to manage liquidity in our system, therefore the extension of RTGS operating hours in these countries means better liquidity management for our participants, and hence increased usage of our services.

9. How useful do you view the global settlement window as a concept for considering the aggregate implications of extensions to RTGS operating hours in individual jurisdictions? What alternatives or refinements, if any, would you propose in order to consider the aggregate implications of extensions to RTGS operating hours in individual jurisdictions?

   **Buna:** It is useful indeed as an interim guide for the individual operators to ensure that their adjustments of operating hours will be aligned, and their effort will have a positive impact on the global picture.

   Additionally, we suggest adding a 'day' element to that concept which is "Saturday," making the interim target 06:00 – 11:00 GMT for 6 days a week as a transitional phase, until reaching End state 3.

10. To what extent have the operational and risk considerations related to an extension of RTGS operating hours been adequately identified? What additional considerations would you consider relevant?

    **Buna:** They were identified to a great extent, detailing all possible aspects related to these considerations, however they focus on challenges that authorities and participants might face, while we suggest including other considerations related to benefits from extension of RTGS operating hours, such as business considerations, which should identify the expected positive business impact on the benefit to all parties, especially participants, in order to compensate the cost allocated for such change. It can identify the considerations related to changing their existing business plans, expanding their services, and changing their marketing plans to get the maximum benefit of such extension.

11. What would you identify as the top five considerations related to an extension of RTGS operating hours in your preferred scenario (Q5)?

    We believe that the following considerations are the top ones related to end state 3:

    - Policy considerations for central banks and other authorities
    - Risk considerations
    - Implementation considerations
    - Technical considerations
    - Staffing considerations

12. To what extent do the relevant considerations differ substantially depending on the end state being considered?

    **Buna:** All relevant considerations will differ to large extent depending on the required end state. For example, if we compare end state 1 and end state 3, we will find out that staffing and technical considerations will have large difference between supporting extended hours on the current operating days and supporting 24/7 operations. The number of staff required to support end state 3 is more than what is required to support end state 1. The technical considerations associated with end state 3 will be more complicated and costly than those associated with end state 1. The risk considerations, including operational risk and liquidity risk, associated with end state 3 is higher than that associated with end state 1.

13. For the top five considerations that you identified in Q11, what mitigation measures could be taken to address them?

**Buna:**

- <u>**Policy considerations for central banks and other authorities**</u>
Central banks may extend the operating hours of their market operations, and as a mitigation measure for the implementation of monetary policy change, central banks may revise their reserves forecasting models, including changing their cut-off time.

- <u>**Risk considerations**</u>
As a mitigation measure for liquidity risk, participants need to ensure that they have sufficient liquidity to always support their activities, which will partially depend on the availability of current sources of liquidity during the extended hours.

- <u>**Implementation considerations**</u>
Mitigation measures for the implementation could start by setting the target end state at the beginning of the implementation and develop the associated project plan with realistic and precise timeframe. This can consider phased approach to reduce the associated impact by implementing end state gradually, starting by end state 1 to end stat 3.

- <u>**Technical considerations**</u>
Redesigning operations process from technical perspective could be a mitigation measure for these considerations through implementing modern approaches to technology that provide greater practical flexibility and facilitate proper service of different financial markets by the RTGS system.

  Operators need to ensure that the extended hours do not jeopardize current levels of operational resilience and risk management, including risks of cyber-attacks and payment fraud.

- <u>**Staffing considerations**</u>
Operators need to ensure that they have proper number of staff, who have the appropriate skillsets to manage extended operating hours, without impacting the current operations. This change in staffing level might include more than core operational functions, such as technology and customer support.

14. In your view, to what extent will the above measures require coordinated action by industry participants and/or support/guidance from authorities, such as central banks, standard-setting bodies and supervisors (as opposed to actions by individual stakeholders)?

**Buna:** Most of the above measures will require coordinated actions by industry participants, especially those related to policy considerations that require coordination with the central banks and standard-setting bodies. Coordination is also required when implementing a change in the monetary policy to accommodate the extended operating hours.
Risk considerations also require some arrangements such as liquidity bridge with liquidity providers and PvP settlement for FX transactions.

Technical considerations require coordination with the technology companies and the service providers, especially when implementing modern technology service approaches that is based on cloud technology and outsourcing.

15. If you are a stakeholder of an RTGS system that has extended its operating hours in the recent past, what were the key lessons learnt?

    **Buna:** Buna has not extended its operating hours recently (planned as part of IPS rollout this year).