Dear Committee on Payments and Market Infrastructures,

G+D Filia team appreciate the opportunity to provide feedback on the consultative report within the G20 cross-border payments program, specifically addressing the questions raised by the BIS. Below are our responses to the majority of the questions :

Do you think that some specific features of governance should be prioritised and if so, which ones? What would be the basic/simple requirements for a resilient governance arrangement to be adopted by an interlinking arrangement?
Given the diverse nature of interlinking arrangements, prioritizing specific governance features depends on the chosen interlinkage model, stakeholder agreement, and the influencing power of participating countries. Aspects such as strategic alignment, stakeholder roles, and geopolitical considerations should be prioritized to ensure effective governance.

Are the 10 considerations learnt from the interaction with stakeholders comprehensive? Is anything important missing or not properly addressed?
While the considerations derived from stakeholder interaction are informative, there is room for improvement. Specifically, the operational and business models (e.g., FX arrangement, data management, interoperability requirements, etc.) could be outlined in more detail to address potential gaps or areas not adequately covered.

Consideration 1. To what extent is the alignment regarding strategic and economic policy priorities among the involved jurisdictions a pre-condition for the design of an interlinking arrangement's governance?
we agree that alignment regarding strategic and economic policy priorities among involved jurisdictions is crucial for the design of an interlinking arrangement's governance. This should be considered a top priority to ensure a harmonized and effective cross-border payment system.

Consideration 2. What is the best way to identify and define a shared long-term vision in terms of objectives and guiding principles (inclusivity, neutrality, agility etc) of an FPS interlinking arrangement?
The best way to identify and define a shared long-term vision involves considering economic and strategic initiatives, geopolitical factors, and the potential role of cross-border CBDCs. Evaluating the suitability of CBDCs is essential for resilience, cost-effectiveness, and suitability for the involved countries.

Consideration 3. Do you agree that two key design choices in the governance of an FPS interlinking arrangement are the ownership structure and the applicable legal framework? Are there others?
While ownership structure and legal frameworks are key design choices, other crucial factors need to be considered, including defining the roles and responsibilities of private and public stakeholders. A hybrid model is likely to be the most effective approach to balance interests and ensure comprehensive governance.

Consideration 4. How can the governance of the interlinking arrangement ensure flexibility, scalability and openness to cope with structural changes, such as new corridors/services or changes in ownership?
The governance of the interlinking arrangement can ensure flexibility, scalability, and openness by adopting a hub-and-spoke model. This model provides high scalability, allows for flexible

extension possibilities, accommodates new corridors and innovative services, and can be interoperable with CBDC rails.

Consideration 5. What are the most important ways in which the governance can help make the FPS interlinking arrangement commercially viable/sustainable?
Addressing Consideration 5 on how governance can contribute to the commercial viability and sustainability of FPS interlinking arrangements involves engaging with key service providers, particularly soliciting valuable feedback from existing private Financial Service Providers (FSPs) and Payment Service Providers (PSPs), as well as emerging start-ups. In the context of intense competition, it is crucial that fees across various business streams are not only competitive but also attractive enough to ensure widespread participant involvement. Clear delineation of roles and responsibilities is fundamental, fostering an environment conducive to innovation and opening doors for further advancements. Special attention must be given to key commercial aspects, with a particular focus on liquidity management and foreign exchange facilitation. The potential impact on the profit margins of current stakeholders, particularly in light of shortened payment chains, warrants careful evaluation. While the prospect of reduced regulatory and compliance costs for FSPs in comparison to potential revenue declines from nostro liquidity, FX operations, and account management services is a consideration, it necessitates a thorough examination to determine its likelihood in practice.

Consideration 6. What governance mechanisms can FPS interlinking arrangements adopt to involve stakeholders and appropriately consider their views in the decision-making process without adversely affecting its agility?
Ensuring active engagement with stakeholders is critical, and a comprehensive feedback mechanism should be established to gather input from all relevant parties. Subsequently, platform operators, driven by a commitment to public interest, can discern and prioritize the most suitable requirements. The emphasis should be on fostering open consultation and robust collaboration to strike a balance between inclusivity and maintaining the agility of the FPS interlinking arrangements.

Please feel free to reach out if further clarification or additional information is required. we look forward to contributing to the ongoing dialogue on this important matter.

Kind regards, Cordialement, مع أطيب التحيات

Giesecke+Devrient

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