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In response to the consultative report - Facilitating increased adoption of payment versus payment (PvP) published on https://www.bis.org/cpmi/publ/d207.htm

About Partior http://www.partior.com

Partior is a global, independent, open industry live platform developed to transform and accelerate value movements in a digital era. Partior harnesses the power of blockchain to enable next generation, programmable value transfer in real-time for various types of financial transaction and asset class.

Our genesis is Project Ubin, which is a collaborative project between Monetary Authority of Singapore and financial industry to explore use of blockchain technology for clearing and settlement of payments and securities. Project Ubin was a 5-year multi-phase project which commenced in November 2016, and each phase aimed to solve pressing challenges faced by the financial industry.

Partior participated in Project Dunbar, a multi-CBDC project led by BIS Innovation Hub in partnership with the Reserve Bank of Australia, Central Bank of Malaysia, Monetary Authority of Singapore, and South African Reserve Bank, to develop prototypes for a shared platform that could enable international settlements using digital currencies issued by multiple central banks. This project successfully developed working prototypes and demonstrated practical solutions and proved that the concept of multi-CBDCs was technically viable.

Partior aims to make digital clearing and settlement more efficient, and secure for financial institutions worldwide, with use cases on including but not limited to Payments, Enterprise Solutions, PvP, DvP. By leveraging on the inherent features of blockchain, Partior provides the following value propositions:

- 24/7 Settlement
  - Enables 24/7 real-time settlement for various types of financial transactions
- Atomic Settlement
  - Simultaneous exchange of two assets/transactions, such that transfer of one occurs only upon transfer of the other
- Multi-currency clearing
  - Enables domestic and cross-border settlement in multiple currencies on a single platform
- Payment Pre-validation
  - Improves certainty of payments
  - Reduces payment rejects/returns
- Programmable Money
  - Enables conditional payments and atomic settlements based on pre-defined logic
- Concurrent value movement and messaging
- Transparency
  - Enables end-to-end transaction visibility
- Increased Resiliency
  - No single point of failure due to decentralised infrastructure

Partior is live multi-currency clearing platform operating on 24/7 with the ability to perform real-time atomic settlement in USD and SGD, having J.P. Morgan and DBS as settlement bank in the respective currencies, with plans to onboard further six currencies by end of the year, including EUR, GBP, JPY, CNH, AUD, and HKD. The platform is currency agnostic and will settle any currency a settlement bank wishes to support.

Partior aims to support PvP settlement for a wide spectrum of FX trades viz., same-day, tom, spot, forward, swaps, with the ability for market participants to perform real-time and atomic gross settlement, and/or net settlement. The scalability, accessibility, and extensibility of Partior platform also allow new currencies and solutions to be onboarded at a faster pace. In addition, being a ISO20022 native platform, Partior enables interoperability with other platforms.

Responses to CPMI Questions

1. Do you agree with the analysis of the causes of non-PvP settlement?

We agree with the analysis of the causes of non-PvP settlement viz., lack of availability of certain currencies, trades, rigid settlement cycles, costs.

In addition, while there are guidance and principles of good practice for FX market participants (e.g., BCBS Guidance and FX Global Code), it will be useful if there are greater incentives such as financial ratios, for market participants to adopt FX PvP settlement.

2. Do you find that, for your market segments, some causes are more important than others? Please explain.

From our interactions with market participants, lack of availability of certain currencies, FX trades, 24/7, real-time and atomic settlement, are among the most important reasons.

An increased proportion of trades in emerging market economy (EME) currencies, which are not supported by existing rails, have resulted in market participants having to settle on a non-PvP basis. Even for PvP supported currencies, rigid settlement cycles mean market participants may need to settle outside of existing PvP arrangements.

In addition, rigid settlement windows cause liquidity to be trapped and results in high liquidity and funding costs. Therefore, it is important for PvP solutions to have flexible, 24/7 settlement options for market participants viz., real-time and atomic gross settlement, and/or net settlement.

3. In which currency pairs or products do you find that non-PvP settlement is increasing?

Trading of EME currencies is increasing, and at a faster pace vis-à-vis advance economy (AE) currencies, resulting in an increase in non-PVP settlement.

4. Do you agree with how the proposals for new solutions could increase the adoption of PvP?

While we agree that some proposals might help increase adoption of PvP, there are certain areas which are critical to facilitate PvP adoption viz., 24/7, real-time and atomic settlements, supports wide spectrum of currencies, supports wide spectrum of FX trades, competitive fees, interoperability, scalable to cover other use cases, flexible settlement options.

5. Do you find that these new solutions, together, if launched successfully, can mitigate FX settlement risk? Please explain.

It is the comprehensiveness of new solutions to address all the major pain points which can increase PvP adoption and mitigate settlement risk. To increase adoption, a solution should provide the following:

- Real-time and atomic settlement
- 24/7 Settlement
- Supports a wide spectrum of FX trades viz., same-day, tom, spot, forward, swaps
- Currency agnostic and supports a wide range of currencies, including EME currencies
- Competitive fees
- Interoperability with other platforms
- Scalable to cover multiple use cases viz. Payments, Enterprise solutions, PvP, DvP.
- Flexible settlement options viz. gross settlement, net settlement.

6. Do you agree with the analysis of the barriers to increased adoption of PvP?

While we agree with most of the barriers in the report, some barriers can be mitigated/overcome depending on the solutions adopted. E.g., the barrier for PvP providers to access and interoperate with RTGS systems due to limited RTGS operating hours are mainly affecting PvP solutions that rely on settlement using central bank accounts. A solution that relies on commercial bank accounts will be able to provide 24/7 availability as it is not dependant on RTGS operating hours.

The solution should also provide the ability to perform real-time and atomic settlement, and/or net settlement, and supports a wide spectrum of FX trades viz., same-day, tom, spot, forward, swaps. It is important for the solution to be currency agnostic and support a wide range of currencies, including EME currencies.

7. Which barriers do you find most significant, and do you observe any additional barriers that are not identified in the report? Please explain with specific reference to individual barriers.

We find that the weak incentives for market participants to settle FX transactions on a PvP basis is one of the more significant barriers. While there are guidance and principles of good practice for FX market participants (e.g., BCBS Guidance and FX Global Code), it will be useful if there are greater incentives such as financial ratios, for market participants to adopt FX PvP settlement.

For solutions with rigid settlement windows, it causes liquidity to be trapped and results in high liquidity and funding costs. Therefore, it is important for PvP solutions to have flexible, 24/7 settlement options for market participants viz., simultaneous real-time gross settlement and/or netting.

8. Do you agree with the possible roles for private and public sector stakeholders in addressing the barriers?

While we agree with certain points, some of the roles for addressing central bank operational barriers may not be important for solutions which use commercial bank accounts.

9. Do you find that the private sector could take on other roles in facilitating increased adoption of PvP? Please explain.

The private sector can work on a comprehensive solution to allow market participations sufficient justification to join and increase adoption of PvP. The solution can facilitate 24/7 real-time and atomic settlement, and/or net settlement, which provides flexibility and enables a wide spectrum of FX trades to be covered for PvP. The "all-in-one" solution should also be scalable to cover multiple use cases viz. Payments, Enterprise Solutions, PvP, DvP, which will facilitate integration by market participants. This will be an attractive choice for market participants in terms of integration cost by providing the infrastructure to settle other types of payments.

10. How could the public and private sectors work together to take this forward? Please explain and suggest any practical actions that could be taken by existing industry bodies.

The public sector can help to drive collaboration with the private sector to facilitate adoption of new FX PvP solutions, which address the major pain points of current solutions, by market participants. The public sector, together with the private sector, can explore various initiatives (e.g., Project Dunbar) on practical solutions and how CBDCs can play a role in reducing FX settlement risk.

Partior successfully developed a working prototype and demonstrated practical solutions and proved that the concept of multi-CBDCs was technically viable in Project Dunbar, a multi-CBDC project led by BIS Innovation Hub in partnership with the Reserve Bank of Australia, Central Bank of Malaysia, Monetary Authority of Singapore, and South African Reserve Bank, which explored how a common platform for multiple CBDCs could enable cheaper and faster international settlements.

Partior continues to play an active role in these initiatives and one such recent initiative which we participated in is the G20 TechSprint 2022. This is a global initiative that BIS Innovation Hub co-hosts annually with the G20 Presidencies to explore the potential for new innovative technologies to resolve high priority areas of interest amongst the global regulatory and banking community. In this initiative, we explore various models for connecting multiple CBDC platforms with use cases such as viz., cross border payments with FX, PvP, DVP.

Moreover, it will be useful if there are greater incentives such as financial ratios, for market participants to adopt FX PvP settlement.

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