SWIFT comments on CPMI and IOSCO guidance on stablecoin arrangements

Introduction

SWIFT appreciates the opportunity to respond to the consultation on CPMI and IOSCO guidance on stablecoin arrangements. We also welcome the publication of this guidance as the growth of different stablecoin arrangements warrants global reflection around how these should be controlled.

Tokenization of assets, whether payment instruments, securities, or others, is an important trend and SWIFT is engaging with the industry, across this spectrum of assets classes, in line with our unique role as a multi-asset class platform serving our broad and diverse community of global user institutions.

In relation to stablecoins, we believe instruments issued within a robust regulatory framework, could play an important role in the future financial system. Overall, SWIFT is not exploring the use of unregulated forms of digital money on its network but remains open to working with our community and policymakers to enable safe innovations. Against this backdrop, we believe it is overall positive that the CPMI is considering extending the applicability of the PFMI to SAs, as this would bring a certain level of requirements and oversight for these instruments.

We do not take a strong stance in relation to exactly how the principles would be applied and have therefore chosen not to respond to the specific questions in the consultation. We have instead focused our response on our general position on stablecoin regulation as well as the importance of interoperability between existing and new systems.

SWIFT & stablecoin arrangements

New forms of digital money are rapidly emerging and the momentum appears to be growing, including for stablecoins. To date, the use of these new instruments is, however, still fairly limited and the impact of the emergence of these on the financial system remains to be seen.

Nevertheless, the trends in these areas cannot be disputed and SWIFT has already started work to look in to how we could support transactions based on these new forms of digital money. In this context, our focus so far has been on CBDCs. However, SWIFT is also closely following developments around stablecoins and we believe stablecoins issued within a robust regulatory framework, could also play an important role in the future.

As a principle, we are not exploring the use of unregulated forms of digital money on our network but we remain open to working with our community and policymakers to enable safe innovations. To date, we have therefore not facilitated or carried stablecoin-based transactions but may do so in the future, depending on how the regulatory regime develops.

Broadly, we think that stable coin arrangements are akin to payment systems, assuming they are used to transfer monetary value between individuals or corporates. In which case they should presumably have the same, or equivalent, principles applied to them as payment systems.

Interoperability

We believe systems based on new forms of digital money such as stablecoin arrangements should co-exist and be integrated with other, more traditional payment systems to ensure continued accessibility to the financial system for all. This is especially important in the current stage of innovation and in the near future, where different systems are likely to operate side by side.

Ensuring that there is interoperability between different systems would promote competition and make it easier for market participants to compare systems. It is also important to note that different types of money are used in different payment systems today and these systems interoperate in a flexible way to support the flow of payments and the efficient use of liquidity. The form of money does not need to be maintained throughout a payment's journey. An end-to-end payment will often cross different systems; for example an invoice might be paid in as cash (central bank money) at the start and then be transmitted as commercial bank money later. This is a vital part of making different forms of money useful in practice. If stable coin based solutions become part of the fabric of transferring value between individuals then we see precisely the same logic applying, to gain the most utility from them they would need to be interoperable with other payment solutions.

Overall, interoperability and standardisation is key to achieving well-functioning and efficient payments systems. SWIFT plays an important role in standards and has recently taken steps to support greater interoperability, such as enabling ISO 20022 messages for cross-border payments and cash reporting businesses starting from the end of 2022. ISO 20022 is an increasingly established global language for payments messaging. Already used by payment systems in over 70 countries, supporting 80% of global volumes and 87% of value of transactions worldwide, in the coming years it will be the de facto standard for high-value payment systems of all reserve currencies,. By creating a common language and model for payments data, ISO 20022 significantly improves the quality of data across the payments ecosystem. Richer, structured, meaningful data will enable new client experiences, while improving compliance and efficiency.

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