

Glossary

This glossary summarises technical terms about payment systems used in the special features in this issue. For more details and additional terms, see the online glossary provided by the Committee on Payments and Market Infrastructures (www.bis.org/cpmi/publ/d00b.htm).

atomic settlement: The use of a smart contract to link two assets to ensure that the transfer of one asset occurs if and only if the transfer of the other asset also occurs (eg to achieve delivery versus payment in a securities transaction or payment versus payment in a foreign exchange transaction).

automated clearing house (ACH): Multilateral arrangement that facilitates the exchange of payment instructions between payment service providers.

back-end arrangement: Arrangement for clearing and settling payments. See also "front-end arrangement".

bearer security: Security issued as a paper certificate where the bearer is presumed to be the owner.

business-to-business (B2B) payment: Payment where both the payer and the payee are businesses (eg payment for raw materials).

central bank digital currency (CBDC): Digital form of central bank money that is different from balances in traditional reserve or settlement accounts (eg balances in accounts held by commercial banks at the central bank).

central counterparty (CCP): Entity that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the performance of open contracts.

central securities depository (CSD): Entity that provides securities accounts, central safekeeping services and asset services, which may include the administration of corporate actions and redemptions, and plays an important role in helping to ensure the integrity of securities issues (that is, ensure that securities are not accidentally or fraudulently created or destroyed or their details changed).

clearing: Process of transmitting, reconciling and, in some cases, confirming transactions prior to settlement. If obligations are settled on a net basis, clearing can also involve the calculation of net positions for settlement.

closed loop: Payment system that provides services directly to both payers and payees. Sometimes known as an in-house or intragroup transfer system.

correspondent banking: Arrangement whereby one bank (correspondent) holds deposits owned by other banks (respondents) and provides those banks with payment and other services.

credit risk: Risk that a counterparty, whether a participant or other entity, will be unable to meet fully its financial obligations when due, or at any time in the future.

cross-border payment: Payment where the payer and the payee are located in different jurisdictions. Many cross-border payments are also cross-currency payments.

cross-currency payment: Payment where the amount debited to the payer is in a different currency than the amount credited to the payee, ie the payment involves a currency conversion along its route from payer to payee.

deferred net settlement: Net settlement mechanism which settles on a net basis at the end of a predefined settlement cycle.

delivery leg: One of two legs of a securities trade: the transferring of ownership of the securities from the seller to the buyer. See also “payment leg”.

delivery versus payment (DvP): Securities settlement mechanism that links a securities transfer and a funds transfer in such a way as to ensure that delivery occurs if and only if the corresponding payment occurs.

dematerialisation: Elimination of physical certificates or documents of title that represent ownership of securities so that securities exist only as accounting records.

digital token: Digital representation of value that is not recorded in an account.

direct holding system: Arrangement for registering ownership of securities (or similar interests) whereby each and every final investor in the securities is registered with a single entity (for example, the issuer itself, a CSD or a registry). In some countries, the use of a direct holding system is required by law.

distributed ledger (DL): Record of transactions held across a network of computers (nodes) where each node has a synchronised copy. A DL usually relies on cryptography to allow nodes to securely propose, validate and record state changes (or updates) to the synchronised ledger without necessarily the need for a central authority.

domestic payment: Payment involving a payee and a payer that reside within the same jurisdiction and use the same currency.

DvP model 1: DvP model where securities and funds are settled on a gross and obligation-by-obligation basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) if and only if final transfer of funds from the buyer to the seller (payment) occurs.

DvP model 2: DvP model where securities are settled on a gross basis, with final transfer of securities from the seller to the buyer occurring throughout the processing cycle, but funds are settled on a net basis, with final transfer of funds from the buyer to the seller occurring at the end of the processing cycle.

DvP model 3: DvP model where both securities and funds are settled on a net basis, with final transfers of both securities and funds occurring at the end of the processing cycle.

fast-payment system (FPS): Retail payment system in which the payment message is transmitted and the final funds are made available to the payee in real time or near real time on as near to a 24/7 basis as possible.

final settlement: Legally defined moment when funds (or other assets) have been irrevocably and unconditionally transferred.

free of payment (FoP): Transfer of securities without a corresponding transfer of funds.

front-end arrangement: Arrangement for initiating payments. See also “back-end arrangement”.

hash timelock contract (HTLC): Type of smart contract that combines a hashlock function with a timelock function to facilitate two-leg transfers across unconnected ledgers.

hierarchical DL: Distributed ledger where each node has a full copy of the ledger but some details are hidden using cryptography. Only one or more trusted third parties have a full view of the ledger.

hybrid settlement system: System that combines the characteristics of RTGS and deferred net settlement systems.

immobilisation: Act of concentrating the location of securities in a depository and transferring ownership by book entry.

indirect holding system: Multi-tiered arrangement for the custody and transfer of ownership of securities (or the transfer of similar interests therein) in which holders are identified only at the level of their custodian or intermediary.

infrastructure model: Back-end arrangement for cross-border payments involving a payment system or linked payment systems operating across borders.

interoperability: Technical or legal compatibility that enables a system or mechanism to be used in conjunction with other systems or mechanisms. Interoperability allows participants in different systems to conduct, clear and settle payments or financial transactions across systems without participating in multiple systems.

liquidity risk: Risk that a counterparty, whether a participant or other entity, will have insufficient funds to meet its financial obligations as and when expected, although it may be able to do so in the future.

liquidity saving mechanism (LSM): Mechanism that seeks to save liquidity, including through frequent netting or offsetting of transactions (payments and/or securities) in the course of the operating day. A typical approach is to hold transactions in a central queue and to net or offset those transactions on a bilateral or multilateral basis at frequent intervals.

money transfer operator (MTO): Non-deposit-taking payment service provider where the service involves payment per transfer (or possibly payment for a set or series of transfers) by the sender to the payment service provider (for example, by cash or bank transfer) – ie as opposed to a situation where the payment service provider debits an account held by the sender at the payment service provider.

multilateral netting: Offsetting of obligations between or among multiple participants to result in a single net position per participant.

offshore system: Financial market infrastructure for the processing of payments or securities denominated in a currency different from the one of the jurisdiction in which the FMI is located. It could also cover a CCP.

overlay system: System that provides innovative customer interfaces to initiate payments (ie front ends).

payment leg: One of two legs of a securities trade: the transferring of cash corresponding to the securities’ price from the buyer to the seller. See also “delivery leg”.

payment service provider (PSP): Entity that provides payment services, including remittances. Payment service providers include banks and other deposit-taking institutions, as well as specialised entities such as money transfer operators and e-money issuers.

payment system: Set of instruments, procedures and rules for the transfer of funds between or among participants. The system encompasses both the participants and the entity operating the arrangement.

payment versus payment (PvP): Settlement mechanism that ensures that the final transfer of a payment in one currency occurs if and only if the final transfer of a payment in another currency or currencies takes place. PvP transfers can occur within a jurisdiction or across borders.

peer-to-peer arrangement: Arrangement that cuts out the financial intermediary payment service providers between the payer and payee.

permissioned DL: Distributed ledger that allows only trusted third parties to be involved in the updating process. Because validators are trusted, less computationally intensive mechanisms can be used to validate transactions.

person-to-business (P2B) payment: Payment where the payer is an individual and the payee is a business (eg bill payments). The reverse transaction is known as a business-to-person (B2P) payment (eg salary payments).

person-to-government (P2G) payment: Payment where the payer is an individual and the payee is a government (eg payment of taxes). The reverse transaction is known as a government-to-person (G2P) payment (eg welfare payments).

person-to-person (P2P) payment: Payment where both the payer and the payee are individuals (eg remittances). Also known as a peer-to-peer payment.

principal risk: Risk that a counterparty will lose the full value involved in a transaction – for example, the risk that a seller of a financial asset will irrevocably deliver the asset but not receive payment.

private DL: Distributed ledger that restricts who can initiate transactions. This is similar to an account-based system, where users must apply to open an account before they can use the system (or at least open an account at an intermediary that has access).

real-time gross settlement (RTGS): Real-time settlement of payments, transfer instructions or other obligations individually on a transaction-by-transaction basis.

remittance: Person-to-person payment of relatively low value. It can be domestic, but this term is generally used to refer a cross-border payment.

replacement cost risk: Risk of a trade failing to settle and having to be replaced at an unfavourable price.

retail payment: Payment associated with the purchase of goods and services by consumers and businesses. Each such payment tends to be for a relatively low value, but the volumes are large.

securities settlement: Transfer of ownership of securities in accordance with the terms of an underlying agreement.

securities settlement system (SSS): Entity that enables securities to be transferred and settled by book entry according to a set of predetermined multilateral rules. Such a system allows transfers of securities either free of payment or against payment.

settlement: Discharge of an obligation in accordance with the terms of the underlying contract.

smart contract: DLT protocol or code that self-executes when certain conditions are met.

stablecoin: Cryptoasset that seeks to stabilise its price by linking its value to that of an asset or pool of assets.

tokenisation: Process of converting assets into digital tokens.

transaction account: Account (including e-money and prepaid accounts) held with a bank or other authorised payment service provider, which can be used to make and receive payments and to store value.

wholesale payment: Payment between financial institutions – for example, payment to settle securities and foreign exchange trades, payment to and from central counterparties, and other interbank funding transactions. These are typically large-value payments that often need to settle on a particular day and sometimes by a particular time.

Abbreviations

Currencies

ALL	Albanian lek	MXN	Mexican peso
ARS	Argentine peso	MXV	Mexican unidad de inversión (UDI)
AUD	Australian dollar	MYR	Malaysian ringgit
BGN	Bulgarian lev	NAD	Namibian dollar
BHD	Bahraini dinar	NGN	Nigerian naira
BRL	Brazilian real	NOK	Norwegian krone
CAD	Canadian dollar	NZD	New Zealand dollar
CHF	Swiss franc	OTH	All other currencies
CLP	Chilean peso	PEN	Peruvian sol
CNY (RMB)	Chinese yuan (renminbi)	PHP	Philippine peso
COP	Colombian peso	PLN	Polish zloty
CZK	Czech koruna	RON	Romanian leu
DKK	Danish krone	RUB	Russian rouble
EUR	euro	SAR	Saudi riyal
GBP	pound sterling	SEK	Swedish krona
HKD	Hong Kong dollar	SGD	Singapore dollar
HUF	Hungarian forint	THB	Thai baht
IDR	Indonesian rupiah	TRY	Turkish lira
ILS	Israeli new shekel	TWD	New Taiwan dollar
INR	Indian rupee	USD	US dollar
ISK	Icelandic króna	VES	bolívar soberano
JPY	Japanese yen	VND	Vietnamese dong
KRW	Korean won	XOF	CFA franc (BCEAO)
MAD	Moroccan dirham	ZAR	South African rand

Countries

AE	United Arab Emirates	CY	Cyprus
AF	Afghanistan	CZ	Czech Republic
AL	Albania	DE	Germany
AM	Armenia	DJ	Djibouti
AO	Angola	DK	Denmark
AR	Argentina	DM	Dominica
AT	Austria	DO	Dominican Republic
AU	Australia	DZ	Algeria
AZ	Azerbaijan	EA	euro area
BA	Bosnia and Herzegovina	EC	Ecuador
BD	Bangladesh	EE	Estonia
BE	Belgium	EG	Egypt
BF	Burkina Faso	ER	Eritrea
BG	Bulgaria	ES	Spain
BH	Bahrain	ET	Ethiopia
BI	Burundi	FI	Finland
BJ	Benin	FJ	Fiji
BM	Bermuda	FO	Faeroe Islands
BN	Brunei	FR	France
BO	Bolivia	GA	Gabon
BR	Brazil	GB	United Kingdom
BS	The Bahamas	GD	Grenada
BT	Bhutan	GE	Georgia
BY	Belarus	GH	Ghana
BZ	Belize	GN	Guinea
CA	Canada	GQ	Equatorial Guinea
CD	Democratic Republic of the Congo	GR	Greece
CF	Central African Republic	GT	Guatemala
CG	Republic of Congo	GW	Guinea-Bissau
CH	Switzerland	GY	Guyana
CI	Côte d'Ivoire	HN	Honduras
CL	Chile	HK	Hong Kong SAR
CM	Cameroon	HR	Croatia
CN	China	HT	Haiti
CO	Colombia	HU	Hungary
CR	Costa Rica	ID	Indonesia
CV	Cabo Verde	IE	Ireland

Countries (cont)

IL	Israel	MX	Mexico
IN	India	MY	Malaysia
IQ	Iraq	MZ	Mozambique
IR	Iran	NA	Namibia
IS	Iceland	NC	New Caledonia
IT	Italy	NG	Nigeria
JE	Jersey	NL	Netherlands
JM	Jamaica	NO	Norway
JO	Jordan	NR	Nauru
JP	Japan	NZ	New Zealand
KE	Kenya	OM	Oman
KG	Kyrgyz Republic	PA	Panama
KH	Cambodia	PE	Peru
KR	Korea	PG	Papua New Guinea
KW	Kuwait	PH	Philippines
KY	Cayman Islands	PK	Pakistan
KZ	Kazakhstan	PL	Poland
LA	Laos	PT	Portugal
LB	Lebanon	PY	Paraguay
LC	St Lucia	QA	Qatar
LK	Sri Lanka	RO	Romania
LR	Liberia	RS	Serbia
LS	Lesotho	RU	Russia
LT	Lithuania	RW	Rwanda
LU	Luxembourg	SA	Saudi Arabia
LV	Latvia	SC	Seychelles
LY	Libya	SD	Sudan
MA	Morocco	SE	Sweden
MD	Moldova	SG	Singapore
ME	Montenegro	SK	Slovakia
MH	Marshall Islands	SI	Slovenia
MK	North Macedonia	SR	Suriname
ML	Mali	SS	South Sudan
MM	Myanmar	ST	São Tomé and Príncipe
MN	Mongolia	SV	El Salvador
MO	Macao SAR	SZ	Eswatini
MR	Mauritania	TD	Chad
MT	Malta	TG	Togo
MU	Mauritius	TH	Thailand
MV	Maldives	TJ	Tajikistan
MW	Malawi	TL	East Timor

Countries (cont)

TM	Turkmenistan	VC	St Vincent and the Grenadines
TO	Tonga	VE	Venezuela
TR	Turkey	VG	British Virgin Islands
TT	Trinidad and Tobago	VN	Vietnam
TW	Chinese Taipei	XM	euro area
TZ	Tanzania	ZA	South Africa
UA	Ukraine	ZM	Zambia
US	United States	1C	International organisations
UY	Uruguay	1Z	British West Indies
UZ	Uzbekistan		
