



January 2022

EBA CLEARING response to *Extending and aligning payment system operating hours for cross-border payments: Consultative Report*¹

EBA CLEARING welcomes the publication of the Consultative Report and the opportunity to comment on the CPMI's observations.

Cross-border payments are the heart of EBA CLEARING's mission. EBA CLEARING has been offering pan-European payment infrastructure services since 1998. With extensive experience in navigating and dissolving the historical barriers to cross-border payments in Europe, EBA CLEARING is committed to continuing to connect payment service providers to new markets, by offering user-driven, cost-effective and reliable solutions.

Constructive collaboration between the private sector and the public sector has been key to the creation and the success of pan-European solutions for payment service providers in the European Economic Area (EEA). EBA CLEARING looks forward to continuing this collaboration and dialogue with the public sector.

In this light, please see below the questions listed in the Consultative Report, with EBA CLEARING's responses.

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? Please explain.

Yes. Extending the operating hours of RTGS systems could increase the speed of certain types of cross-border payment in certain corridors.

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?

There are at least two conditions that should be respected for the industry to fully realise the benefits of extended RTGS system operating hours.

First, extending the operating hours of RTGS systems will likely come at a cost that will be passed on to the participants of these systems. It is therefore essential that the operators of RTGS systems are fully transparent as regards the cost recovery principles that they apply. Similarly, aligning the extended operating hours to a specific market need will ensure that the costs can be recovered across the industry through increased volumes.

Second, it is important that any changes to the operation and scope of RTGS systems preserve a level playing field between private sector and public sector operated payment

¹ Published by the Committee on Payments and Market Infrastructures in November 2021 ("Consultative Report").



systems. For example, the rules of RTGS systems should allow private sector payment system operators to engage in cross-border initiatives on the same terms as public sector operators. Further, it is important that RTGS system operators dedicate sufficient resources to the operation during extended hours, to mitigate risk and to ensure the continued resilience of such systems.

Finally, while we welcome the CPMI's focus on extended operating hours, we also note that there are alternative, cost-effective means to achieve the same objective. In particular, we highlight the value of interlinking pre-existing payment systems, such as those that already operate on a 24/7 basis, and as foreseen in Building Block 13. This would already increase the speed of certain legs of cross-border transactions in a cost-effective manner, by leveraging existing payment system capabilities. To maximise the benefits of such initiatives, public sector support is vital to create a harmonised regulatory framework that allows systems to connect in a secure and reliable manner.²

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?

With respect to both domestic and cross-border payments, the extension of RTGS operating hours could facilitate interlinking between existing payment systems.

- 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?**
- 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?**

In response to Questions 4 and 5, the extension of operating hours will have the most impact where there is already a demand for such cross-border payments at a faster speed. Without such demand, the extension of operating hours will not result in an increase in cross-border payment volumes, and costs related to extended opening hours could increase the cost per payment.

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

No comment.

² See EBA CLEARING response to the Targets for Addressing the Four Challenges of Cross-Border Payments: Consultative document, July 2021, Question 5, available on EBA CLEARING's website: <https://www.ebaclearing.eu/media/azure/production/2820/eba-clearings-comments-on-the-fsb-targets-for-cross-border-payments-july-2021.pdf>.



- 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?**

In Europe, there is already strong demand for 24/7 cross-border payments, which is being met by 24/7 private and public-sector operated instant payment systems. EBA CLEARING expects demand for instant payments to continue to increase.

Recognising the existing barriers to cross-border payments, and ahead of regulatory standardisation that would enable full interlinking, EBA CLEARING is investigating how cross-border interoperability between existing systems could be achieved and how to add most value to payment service providers and their clients. This will leverage existing systems that play an important role in the chain of cross-border payments in main currencies and/or an important role in immediate payments already.

EBA CLEARING further notes that not all payments require real-time delivery, and that it is equally important to continue to develop and enhance non-instant payment systems, in line with the continued demand for such systems.

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

Yes.

- 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?**

No comment.

- 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?**

The CPMI has accurately identified relevant operational and technical considerations that should be taken into account by RTGS systems that intend to extend their operating hours. Close dialogue and cooperation across the industry will be an important risk mitigation measure in the migration to new operating hours. As described above in our response to Question 2, we also believe that there are key conditions that must be respected for the industry to fully realise the benefits of extended operating hours.



- 11. What would you identify as the top five considerations related to an extension of RTGS operating hours in your preferred scenario (Q5)?**
- 12. To what extent do the relevant considerations differ substantially depending on the end state being considered?**
- 13. For the top five considerations that you identified in Q11, what mitigation measures could be taken to address them?**

In response to Questions 11, 12 and 13, we do not believe it is appropriate to rank the considerations since all are important. As set out in response to Question 14 below, close coordination between all relevant stakeholders will be an essential risk mitigation measure for the migration to extended operating hours.

- 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)?**

It is important that the pursuit of extended operating hours occurs in parallel to and in a complementary manner to the related Building Block 4 (align regulatory, supervisory and oversight frameworks) and Building Block 14 (adopt harmonised version of ISO 20022 for message formats). These Building Blocks will also support EBA CLEARING and the industry's ongoing initiatives to enhance cross-border payments, including interlinking.

The migration to and implementation of extended operating hours must be conducted in a collaborative approach with the alignment of all stakeholders. Collaboration in this sense is a key risk mitigation measure.

- 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?**

Not applicable.