
Consultation Response

Bank of England Discussion Paper on its Approach to Innovation in Money and Payments

October 2024

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on **THE BANK OF ENGLAND'S DISCUSSION PAPER ON ITS APPROACH TO INNOVATION IN MONEY AND PAYMENTS**. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is grateful to Clifford Chance for providing support in the drafting of this response.

We summarise below our high-level response to the consultation, which is followed by answers to the individual questions raised.

Executive Summary

AFME is highly supportive of the various divisions at the Bank of England coming together to consult on and set out a cohesive vision for the future of money and payments in the UK. Our response to the Discussion Paper is primarily focused on the **wholesale aspects of money and payments**, including settlement in securities and FX markets.

For the UK to keep pace with international public sector and private sector developments in innovation, and to continue to deliver on monetary and financial stability objectives, we recommend that the BoE should:

- Explore the benefits and characteristics of DLT-based private money solutions, including tokenised deposits and stablecoins, and the regulatory parameters for their use in settlement depending on their risk profiles. This is especially relevant in the absence of available DLT-based central bank money. Generally, tokenised deposits carry the same risks as traditional deposits from the same issuer, and would therefore be subject to the same regulatory treatment. Stablecoins have different risk profiles, and their treatment and permission for use should take into account the different characteristics (such as credit and fungibility of backing assets) rather than applying a one-size-fits-all label. We remain highly supportive of the complementary roles of central bank money and commercial bank money, and view that in a DLT-based financial system - as in today's financial system - commercial bank money should remain as a viable settlement asset especially if central bank money is not available.
- Ensure the availability of tokenised central bank money for settlement through the Real-time Gross Settlement (RTGS) synchronisation and wholesale central bank digital currency (wCBDC) experiments. Overall, AFME is highly supportive of pursuing RTGS synchronisation and wCBDC experiments, as well as leveraging the availability of omnibus accounts, to facilitate wholesale DLT-based settlement. We view that completing RTGS synchronisation is the minimum next step. The end-state, however, should be the operationalisation of a wCBDC solution, which would offer the most efficient programmable solution for wholesale settlement on DLT platforms in the longer term. A

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production-ready solution for wCBDC, taking into account criteria for public money today and additional functionalities enabled by DLT, should ideally be made available in 12-18 months.

Questions

1. Are there areas in which programmable platforms, including those enabled by DLT might bring significant benefits and risks in payments and settlement?

Key message: We view there are a number of significant benefits associated with the use of programmable platforms, including those enabled by DLT, for wholesale payments and settlement. A key benefit is programmable and/or atomic settlement (enabled by self-executing smart contracts), which can help improve post-trade efficiencies and reduce costs and risks. However, the industry is still working on addressing a number of outstanding operational risks in cooperation with the public sector, including those posed by the novelty of smart contracts.

Benefits¹

- **Resilience:** the use of DLT can improve the resilience of financial markets, by diffusing single-points-of-failure and concentration risks that are present in the currently centralised financial infrastructure.
- **Enhanced automation and efficiencies:** programmable platforms enabled by DLT offer significant benefits in payments and settlement. One of the primary advantages is enhanced automation and efficiency. Smart contracts on these platforms can automate complex financial transactions, reducing the need for manual intervention and minimizing errors. For example, programmable instructions can be used to automate treasury management and cross-border settlements, significantly improving operational efficiency. Additionally, instant payments facilitated by programmable platforms enable real-time settlement of transactions and allow to better manage deposits and overdrafts, which improves liquidity management, reduces counterparty risk and cost of funding.
- **Transparency and immutability:** another key benefit is the transparency and trust provided by DLT. The immutable ledger ensures that all transactions are recorded transparently and cannot be altered, building trust among participants who can independently verify transactions. This transparency also improves auditability and compliance, making it easier to track and verify transactions. Advanced programmability and composability are also significant advantages, allowing businesses to create complex financial operations tailored to their specific needs and enabling different applications to interact seamlessly.
- **Competitiveness:** developing a policy and regulatory framework for DLT-based wholesale markets (and, as part of that, making available requisite DLT-based central bank money) will enable UK-based issuers, investors, and wider ecosystem participants to participate in and grow UK DLT-based capital markets, and help strengthen the UK's role in innovation and capital markets at large.

Risks

However, there are certain risks that need to be considered.

- **Smart contract risks:** however, there are certain risks associated with the novel technology that need to be considered, including ICT incidents, security, ability for modification, auditability, inter alia. To mitigate these risks, rigorous testing, formal verification methods, and regular audits of smart contracts can be

¹ For a full list of the benefits of DLT to wholesale markets in the context of debt issuance, please refer to Annex 1 of AFME's Report on Scaling DLT-based SSA Bond Markets: A Roadmap for Issuers: [https://www.afme.eu/Portals/0/DispatchFeaturedImages/AFME_DLT_SSA_Bonds_Issuers_08%20\(1\)-1.pdf](https://www.afme.eu/Portals/0/DispatchFeaturedImages/AFME_DLT_SSA_Bonds_Issuers_08%20(1)-1.pdf)

employed.² In terms of impact on markets, the widespread use of smart contracts would accelerate settlement across markets, and potential consequences (both negative and positive) require more analysis.

- **Other technological risks and considerations:** additionally, the use of Low Code/No Code (LC/NC) environments can help reduce syntax errors and bugs by providing a more controlled development environment. Implementing robust compliance frameworks and automated compliance checks within the smart contracts can also help ensure adherence to regulatory requirements.

2. How likely are programmable platforms, including those enabled by DLT, to be taken up at scale by wholesale financial markets?

A degree of market scaling in DLT-based programmable platforms is already taking off globally, and the UK should take a more active role in these market developments. Based on AFME research, we are seeing increasing market momentum and dynamics, and are actively encouraging UK issuers to experiment with DLT. Absent the regulatory conditions to allow for scaling, there is a limit to the extent programmable platforms can be taken up at scale, thereby limiting innovation.

UK policymakers should actively facilitate the scaling of DLT-based markets, and it is imperative that policymakers and regulators do not close the door on the innovation of DLT platforms at this stage. The introduction of omnibus accounts for DLT-based settlement fully funded by central bank money (CeBM) is already a welcome initiative indicating innovation by the BoE. Looking forward, we support 1) the completion of RTGS synchronisation, 2) exploration of the use of commercial bank money (CoBM) for DLT-based settlement (as complementary to the use of central bank money), 3) experimentations with wCBDC solutions and availability of a production-ready solution. We expand on our views on and suggestions for these forms of DLT-based money in our answers provided for Questions 5 and 7.

3. What are respondents' views on the pace of innovation in private money – in particular, commercial bank money – used in retail payments?

No proposed response.

4. What are respondents' views on the wholesale infrastructure that might support retail payments innovations, including to ensure that singleness of money can be maintained across stablecoins and tokenised deposits?

No proposed response.

5. What are the risks and benefits from the use of: a) tokenised deposits; and b) stablecoins for wholesale transactions?

Key message:

- We support the UK having a policy framework that enables the availability of a broad array of cash settlement solutions, including CoBM and any future regulated stablecoins, in a way that is commensurate with the benefits and risks posed by these solutions. We support the Bank of England's

² Please see details on smart contract risk mitigation solutions in the GFMA and GDF Smart Contract Primer: <https://www.gfma.org/policies-resources/gfma-and-gdf-publish-smart-contract-primer/>

proposal to comprehensively assess the benefits and risks posed by tokenised deposits and stablecoins for wholesale transactions. At the same time, the Bank of England should continue to facilitate innovation in CoBM, also in view of ensuring that the UK regime keeps pace with international developments.

- Tokenised deposits³, due to their regulatory backing and alignment with traditional banking practices, offer a safe pathway towards digitising money while upholding the principles of “singleness of money” and “finality of settlement”. Tokenised deposits generally pose the same risks as traditional deposits issued by the same issuer, and therefore would be subject to the same regulatory treatment as traditional deposits.
- In the future, the BoE may want to consider the use of regulated stablecoins in settlement. As there is no universally agreed legal or regulatory definition of stablecoins, the term ‘stablecoins’ can refer to tokens that are vastly different in risk profiles. Their regulatory treatment and permission for use should therefore depend on their specific risk profile rather taking a one-size-fits-all approach.

Benefits (compared to traditional (off-chain) payment instruments)

Tokenised Deposits

- Tokenised deposits represent deposit claims for stated amounts against the issuing authorised institution, and are treated no differently to traditional deposits. In fact, tokenised deposits offer some advantages compared to traditional deposits, such as programmability, faster mobilisation and deployment, and interoperability between traditional systems and DLT-based systems and can act as connecting bridge with CeBM payment systems.
- **Regulatory Compliance:** tokenised deposits are issued by regulated financial institutions subject to existing financial regulations, such as capital and liquidity requirements. This provides a high level of trust and stability, making tokenised deposits particularly reliable for large-scale transactions in wholesale markets.
- **Efficiency and Cost Reduction:** tokenised deposits have the ability to improve transaction speed and efficiency through real-time settlement capabilities, particularly cross-border transactions, reducing overhead costs and enhancing liquidity management.
- **Programmability:** tokenised deposits can be programmed to automate complex transactions using smart contracts, offering significant potential for innovation involving both wholesale payments and capital markets transactions
- **Interoperability:** tokenised deposits are designed to work effectively with both traditional banking systems and blockchain networks, tokenised deposits offer high interoperability, allowing for a smooth transition from traditional to DLT-based systems.

Stablecoins

- Stablecoins have been defined as “privately-issued, money-like, digital token that aims to maintain a stable value relative to a peg specified by a reference asset(s) and designed to minimise value fluctuations relative to these reference assets(s)”.⁴ However, as acknowledged by the Financial Stability Board, there is no universally agreed legal or regulation definition of stablecoins defining

³ Referring to DLT-based deposits (commercial bank money), which can be account based or token based. The broad terminology of “tokenised deposits” in the rest of the response covers these various forms of commercial bank money on blockchain.

⁴ According to the CFTC’s GMAC Digital Asset Markets Subcommittee’s Classification Approach and Taxonomy for Digital Assets:
https://www.cftc.gov/media/10321/CFTC_GMAC_DAM_Classification_Approach_and_Taxonomy_for_Digital_Assets_030624/download

their characteristics.⁵ This means that the term ‘stablecoins’ can refer to tokens that pose very different risk dimensions based on the fungibility of the backing assets.⁶ For this reason, it would not be appropriate to apply a one-size-fits-all regulatory approach to stablecoins in future.

- As there do exist certain benefits associated with the issuance and use of stablecoins, and it remains imperative to support innovation and market growth for future regulated stablecoins, we reiterate support for the scope of eligible backing assets for future regulated UK stablecoins to be sufficiently wide (including high-quality liquid assets as a minimum) and not be limited to central bank deposits.⁷
- **Programmability:** like tokenised deposits, stablecoins can be programmed to automate complex transactions using smart contracts, offering significant potential for innovation involving both wholesale payments and capital markets transactions
- **Offering additional optionality for effecting policy changes:** stablecoins have the potential to provide different authorities with capabilities that do not currently exist in relation to the issuance and use of financial instruments to facilitate certain government policies.⁸ AFME members consider this to be an attribute of stablecoins worth exploring in the forthcoming UK consultation on stablecoins, and stand ready to engage with the BoE on this topic.

Risks

When comparing the risks associated with tokenised deposits and stablecoins, it is more beneficial and efficient to highlight the main, overlapping risks and assess the nuances. That said, the specific risks posed by stablecoins depend largely on their issuing institution and backing assets.

Market Risk

- **Tokenised Deposits:** as these are issued by regulated banks that adhere to stringent liquidity and capital requirements, the risk of devaluation and run risks are similar to traditional deposits. The issuing banks should ensure and maintain minimum liquidity, capital, and robust risk management practices, including access to central bank contingency funding and deposit insurance schemes. This is no different to the risks from traditional deposits originated by the same issuer.
- **Stablecoins:** while stablecoins aim to maintain a stable value, depending on the transferability, liquidity, and credit quality of their backing assets, stablecoins can be vulnerable to market risks, particularly during periods of market stress or negative market sentiment (e.g., regarding the issuer’s creditworthiness or reserve adequacy). The lack of standardised and consistently implemented global regulations for stablecoin reserves increases this risk, although backing asset requirements can help mitigate such risk.

Contagion Risk

- **Tokenised Deposits:** where issued by globally systemically important banks, tokenised deposits are less susceptible to contagion risks due to the issuers’ substantial and diversified balance sheets, prudential requirements (including capital and liquidity buffers), access to central bank funding, and

⁵ <https://www.fsb.org/work-of-the-fsb/financial-innovation-and-structural-change/crypto-assets-and-global-stablecoins/>

⁶ To expand, we view that the term ‘stablecoins’ can refer to tokens that pose very different risk dimensions based on the fungibility and credit quality of the backing assets. Different authorities have designed or are in the process of designing regimes that would lead to permitting the issuance of stablecoins with different criteria. For example, the FCA’s proposed approach to regulating stablecoins is different from the BoE’s proposed approach to regulating systemic stablecoins, and both approaches have slight differences from the EU’s approach to regulating e-money tokens and asset-referenced tokens under MiCAR.

⁷ Please see more details in AFME’s [response](#) to the FCA and BoE Discussion Papers on stablecoins.

⁸ For example, policymakers and regulators may define the allowable underlying assets and have the ability to change the composition and types of assets (e.g. government bonds) which make up the underlying of qualified stablecoins. Through this, authorities may get to impact the yield curve of markets (e.g. core government bond markets) in a way that they currently cannot. There is also the possibility for controlling the credit quality of assets which underly the stablecoins (e.g. from asset-backed securities backed by certain types of mortgages through to corporate debt from a specific country with a specific credit quality). These are options which are not currently available for current financial instruments and can enhance certain government policies, if carefully considered.

insurance guarantee schemes. These measures reduce the likelihood of a disruptive impact on broader markets. This is no different to the risks from issuing traditional deposits.

- **Stablecoins:** stablecoins rely on reserve assets to meet redemption demands. This means that, in times of stress, large redemptions could trigger a fire sale of reserve assets, potentially stressing the broader financial markets, especially if the stablecoin reaches a systemically significant scale.

Credit Intermediation and Monetary Policy

- **Tokenised Deposits:** as they are consistent with traditional deposits, tokenised deposits are expected to have a positive effect on credit provision and money creation. They maintain the same liquidity and credit intermediation functions as traditional deposits.
- **Stablecoins:** asset-backed stablecoins generally require the maintenance of high-quality assets such as government bonds or similar HQLA, and do not lead to money creation effects. Depending on the amount of reserve assets which are immobilised and segregated, there could be an impact on the liquidity of the overall bond and repo markets.

Economic Fungibility

- **Tokenised Deposits:** to ensure fungibility, tokenised deposits should be interchangeable with tokenised deposits issued by other banks and non-tokenised deposits. This could be facilitated through mechanisms like central bank settlement or correspondent banking relationships. We note the possibility of pricing differences between issuers, and therefore the economic fungibility of tokenised deposits should be thoroughly considered.
- **Stablecoins:** depending on the fungibility of backing assets, stablecoins may be more vulnerable to differences in credit risk perceptions and supply-demand dynamics, as highlighted in the previous risks.

Technical Interoperability

- **Tokenised Deposits:** technical interoperability is crucial for ensuring that different forms of digital money can be exchanged and used across various platforms. Achieving interoperability between tokenised deposits and traditional banking systems, as well as across different blockchain networks, is essential for their success. Industry-wide standards and protocols will be needed to ensure seamless integration.
- **Stablecoins:** stablecoins will likely continue to face similar challenges as tokenised deposits when attempting to achieve interoperability across blockchains. In addition, bridging or wrapping asset requirements may introduce additional interoperability risks.

6. Are there innovations that could support central bank money being equipped with the requisite functionality to ensure safe settlement in light of technological advances in financial markets?

Please see our response to Question 7.

7. What are respondents' views on potential functionalities of a wCBDC and how might these inform wCBDC design?

Key messages: while we support the BoE's synchronisation project, we view that the desired end state should ultimately be the realisation of DLT-based central bank money (CeBM) in the form of wCBDCs, which offer the

most efficient programmable solution for the distribution of DLT-based CeMB. Central-bank money provides minimal settlement risk and is therefore the cash solution of choice in important wholesale markets, and the availability of risk-free central-bank money settlement is key for the development of wholesale DLT-based markets. Until DLT-based CeBM is available, other forms of DLT-based payment instruments (including tokenised CoBM) can also play a key role in enhancing settlement efficiency. The current practice of using CoBM where no CeBM is available should be maintained as a way of allowing full flexibility and managing settlement risk.

Certainty around the continued availability of DLT-based central-bank money is vital for continued innovation and investment in DLT-based markets. In order to achieve this, the Bank of England should take the following steps:

1. Finalise RTGS synchronisation, and test its operationalisation through the UK Digital Securities Sandbox.
2. Experiment with wCBDCs for the next 12-18 months. This can be done through the UK Digital Securities Sandbox, but should not be limited to it. In view of other European jurisdictions' experiments with the creation of a wCBDC, including the Swiss National Bank's pilot issuance of wCBDC and the Eurosystem's trials and experiments with three different wCBDC solutions, the BoE should continue to explore different options for DLT-based central-bank money solutions.
3. Following 12-18 months of experiments, the BoE should announce a decision to move towards a production ready solution. Providing commitment to a permanent DLT-based central-bank money solution will offer certainty to market participants.

In the medium term, the BoE should explore a distribution solution and possible criteria for issuance of a wCBDC onto DLT-based asset ledgers. In the longer-term this could be preferable as, compared to other possible definitive solutions, it would offer the most efficient programmable solution for cash settlement on wholesale DLT platforms. In addition, a distribution solution for wCBDCs could also ultimately fully integrate asset and cash ledgers and eliminate risks from chain bridges.

We are supportive of the PvP experiment, and note that this experiment should crucially take into account the fact that today's FX markets are extremely large and complex, with the availability of many different technologies and participation from a variety of different financial and non-financial institutions, all with the aim of supporting the needs of the real economy. The PvP experiment, therefore, needs to address 1) minimisation of settlement risk, 2) how to achieve economies of scale through multilateral netting capacity, 3) preserving choices for execution and settlement, and 4) interoperability with global markets and existing systems.

Detailed response:

While we are strongly supportive of the experiments with and availability of wCBDCs, we view that private cash settlement instruments can also play a role in settlement, especially in markets where settlement in such instruments is common today. While we are supportive of RTGS synchronisation, and support interoperability / interface models of making available DLT-based CeBM in the short-term, we view that the availability of wCBDC can offer additional benefits not available through RTGS synchronisation, such as full transferability (between wCBDC, fiat CeBM, and CoBM) and – ultimately – the possibility for full integration between asset and cash ledgers.

As background, in today's wholesale (and retail) payments and securities settlement CoBM is used in tandem/co-exists with CeBM, as acknowledged by the BoE. While in central infrastructures (CSDs and CCPs for securities), most clearing and settlement between FMI participants occurs in CeBM, indirect participants (and even direct participants who do not have access to CeBM) rely on payment/clearing/settlement banks

with access to CeBM, and have deposit accounts in CoBM with those providers. Unless there is a very material shift in the ability to access CeBM for non-financial institutions, it is not expected that the use of DLT platform would materially change that model.

In addition, and as highlighted principle 9 of CPMI-IOSCO PFMI⁹, a FMI should conduct its money settlements in CeBM where practical and available; if CeBM is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of CoBM. Even though FMIs are expected to use CeBM for settlements, this requirement only applies when CeBM is “practical and available”. Again, in today’s settlement environment, not all CSDs use CeBM for this reason, and have the option to use CoBM for ancillary banking services.

There should be in principle no policy reason to change this current approach for DLT based platforms, as long as the relevant risks are adequately addressed. Since CeBM is often not available or practical for DLT settlement (whether through the use of fiat payment rails or via CBDC), CoBM remains a fully viable option and should be maintained to allow DLT based platforms to provide their services. The alternative would be to halt progress until DLT-based CeBM is available, which would substantially slow down any real progress and consequently halt learning and innovation. This applies even more so for multicurrency settlement, where CoBM is used as there is no unified jointly controlled system of interoperable CeBM. In the DSS sandbox, this option is provided, and it is also necessary, given that most UK issuance is already in non-sterling.

Looking ahead, we continue to expect and maintain strong linkages between CoBM and CeBM, so that the two types of money continue to support the mitigation of financial stability risks and singleness of money.

Regarding the functionalities of a wCBDC, the experiments should allow for testing:

- **Full transferability between wCBDC and ‘fiat’ CeBM:** full transferability would help facilitate the optimisation of liquidity consumption, which is a critical prerequisite for experiments. This would help banks minimise ‘trapped’ or ‘blocked’ cash on DLT platforms that cannot be used for other purposes (e.g. regular settlement or payments). This also applies to transferability between different DLT platforms of wCBDCs. Ideally, it should be possible to optimise the use of liquidity across different DLT platforms and minimise the cost of trapped liquidity. At the very least, it should be possible to convert wCBDC into fiat CBDC at the end of the day and at some instances throughout the day, so treasury and funding operations can be synchronised.
- **Full convertibility between wCBDC and CoBM:** it should be possible to easily convert CoBM (whether fiat or in the form of DLT deposits or tokens) into wCBDC and vice versa, to allow again full flexibility between the two forms of money. Recent experiments and trials carried out by the ECB Eurosystem showcased the use of CeBM through three different models for the purpose of financial settlements related to trades on market-run DLT platforms. These interoperability models were also used to showcase how CoBM and CeBM can be linked to support settlements. This linkage is important to enable to ensure eligible market participants have the ability to convert their CoBM funds to CeBM to support risk management and minimise funding costs, thus promoting financial stability.
- **Permission to create / redeem on the basis of high-grade collateral:** regarding the creation (and redemption) of wCBDC, it should be possible to do so not only based on existing CeBM cash balances, but also on the basis of eligible high grade collateral delivered/pledged with the central bank by the entity receiving wCBDCs.
- **Programmability:** we support a comprehensive analysis of the programmability requirements that could be permitted and built into the use of wCBDCs, for example at the network layer. This could include functionalities to automate conversions and sweeps of wCBDC to fiat and vice versa, sweeps

⁹ <https://www.bis.org/cpmi/publ/d101a.pdf>

to other platforms, and conversions in/from CoBM (see above) above. It would also be important to analyse which risk management tools could be embedded into the design of wCBDC (e.g. to minimise counterparty and liquidity risks). This analysis should also help provide a clear view on requirements for achieving atomic settlement.

- **Cross-border interoperability and connectivity with international initiatives and markets:** the experiments should consider, as a priority, how the solutions would interoperate with existing international markets as well as new international initiatives exploring the use of programmable CeBM (including Project Agora, Project mBridge, and Project Meridian).
- **Overnight availability:** wCBDCs should be available for overnight use. With regards to extending opening hours of central bank accounts to 24/7, this should be carefully considered as it would entail additional operational considerations for firms.
- **Accepting wCBDCs as central bank collateral:** the eligibility of any wCBDCs as central bank collateral is essential.
- **Governance and operational controls:** the experiments should seek to define clear responsibilities of network participants on asset and cash ledgers, as well as establish clear operational requirements and security features.

In addition, whilst we support the experiment to conduct a PvP trial (also in conjunction with Project Meridian), we note that the successful operationalisation of a programmable PvP solution needs to take into account several functionalities and characteristics present in today's FX markets.

As background, the wholesale FX market is the largest financial market globally, and plays a key role in supporting global commerce and allowing for businesses and institutions to operate and expand internationally. FX markets are by definition global, and currencies need to operate simultaneously. Currently, the wholesale FX market is supported by a large network of dealers engaged in the cross-border exchange across a number of currencies with each other, other financial institutions (institutional investors, smaller banks, proprietary trading firms, hedge funds, public authorities) and non-financial entities. Market-driven use cases have demonstrated the capability of DLT to lower costs and risks for PvP FX, in particular based on a multi-participant model with flexible settlement windows.

However, cross-border FX settlement for inter-bank FX trades can be complex and manual due to different payment systems. Therefore, the PvP experiment should consider a number of different functionalities that are critical to the current FX market and also leverage the technological benefits of DLT, including: reduction in settlement risk and liquidity costs, funding requirements, multilateral participation and the associated ability to perform batch settlement and netting, adherence to the global FX Global Code, interoperability with existing systems, and the preservation of market choices for execution and settlement. In terms of currency pairs, we are of the view that the BIS' Triennial Central Bank Survey data on most-traded currency pairs (e.g. USD/EUR, USD/JPY, USD/GBP) would provide a useful starting point for testing PvP in the largest FX markets.¹⁰

8. Will the proposed programme of experiments help to assess these potential functionalities for central bank money?

We are supportive of the proposed programme of experiments. Please refer to our response to Question 7 above on functionalities.

¹⁰ https://www.bis.org/statistics/rpfx22_fx.htm

9. What are respondents' views on the outcomes that the Bank seeks in retail payments and how can they be reflected in practical questions currently facing policymakers and industry?

No proposed response.

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