



Decision

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Settlement of cross-currency payments via TIPS

Proposed decision

The Executive Board assigns the Head of the Payments Department (AFB) to

- assist the ECB in producing proposals to operationalise a cross-currency settlement function on the TIPS platform.

Background

In April 2020, the Riksbank entered into an agreement on connecting a new service, RIX-INST, to the Eurosystem's TIPS payment platform¹. The Riksbank is planning for RIX-INST to be available with effect from May 2022 and directed at financial institutions participating in the Riksbank's settlement of payments. The TIPS has the capacity to settle instant payments *within* different currencies, such as Swedish krona and euro, but in its original form lacks the capacity to settle payments *between* currencies.

Since October 2020, the ECB and the Riksbank have been studying the possibility of developing the TIPS to give the platform the capacity to settle payments between currencies.² The study assumes that the central banks will account for settlement in their own respective currencies, while the exchange will be made by financial institutions. On the basis of what has been ascertained so far, there is no decisive obstacle to adding a cross-currency functionality to TIPS and the ECB's Governing Council has confirmed that cross-currency settlement is possible in the TIPS potential areas of use.

In recent years, cross-border and cross-currency payments have become an increasingly prioritised issue all around the world, and the G20 has adopted a roadmap leading to faster, cheaper and more transparent cross-border and cross-currency payments.³

¹ <https://www.riksbank.se/en-gb/payments--cash/the-payment-system---rix/new-service-in-rix-for-instant-payments/>

² <https://www.riksbank.se/en-gb/press-and-published/notices-and-press-releases/notices/2020/the-riksbank-and-the-ecb-to-explore-cross-currency-instant-payments/>

³ <https://www.fsb.org/2020/10/fsb-delivers-a-roadmap-to-enhance-cross-border-payments/>

Although cross-border payments within the EU function better than those in many other parts of the world, the intra-European payments market is still fragmented along national boundaries, not least with regard to instant payments. This in turn hampers cross-border trade, tourism, and undermines competition on the payments market. The European Commission has therefore identified the emergence of instant payment services with a pan-European range as an important pillar in its strategy for retail payments within the EU.⁴

Since the study began in October 2020, Danmarks Nationalbank has also announced its intention to use the TIPS.⁵ Moreover, the TIPS platform's pan-European range is expected to have been strengthened by measures taken by the ECB before the end of 2021.⁶ This has altogether increased the utility of connecting the Swedish krona to a cross-currency settlement service on TIPS.

Considerations

By offering settlement services in central bank money on a competition-neutral platform, central banks provide a collective utility that increases efficiency and safety in the payment system. Cross-currency payments have the potential to further increase the efficiency of the central banks' offers, and to make it easier for Swedish companies and consumers to trade across national and currency borders. It is therefore important that the Riksbank takes part in a European central bank cooperation on joint technical platforms and regulations for cross-border and cross-currency payments, not least with regard to the increasing significance of payment issues on the international economic policy agenda.

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0592&from=EN>

⁵ https://www.nationalbanken.dk/en/bankingandpayments/interbank_payments/Pages/Migration-of-Danish-kroner-to-Target-Services.aspx

⁶ https://www.ecb.europa.eu/paym/target/tips/profuse/shared/pdf/faq_tips_and_pan-european_reachability_of_instant_payments.pdf