



## World Forum of CSDs

Innovation and Diversification:  
Cross-border use of central bank money;  
US dollar settlement in EUI



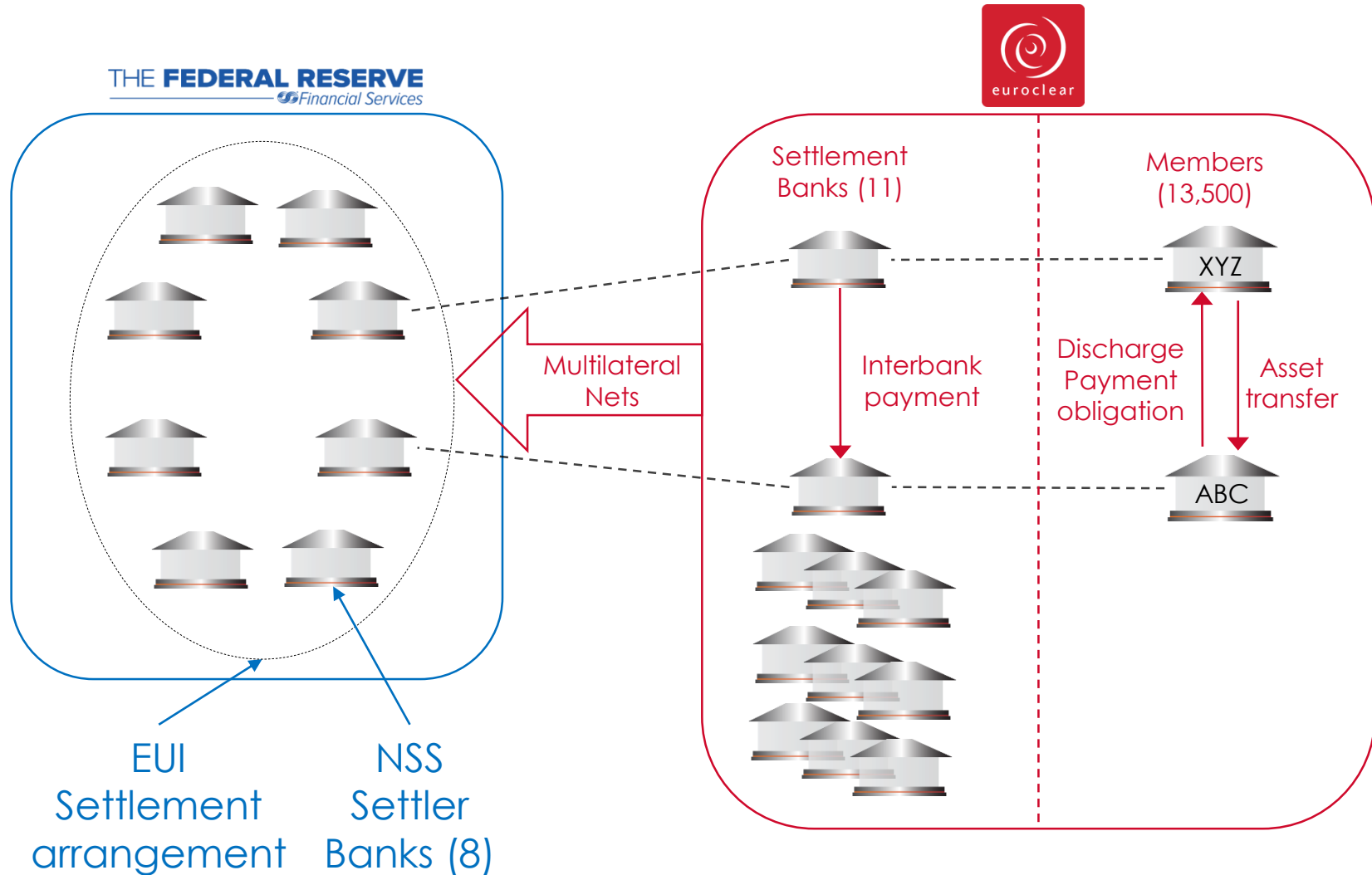
# The problem

- Clients trade securities in UK against foreign currencies
  - how to achieve real-time DVP?
- EU Regulation requires CSDs (without banking licence) to use central bank money
- Difficult to make work cross-border
  - time zones, jurisdiction
  - credit & liquidity risks
  - operational efficiency
  - accommodate UK settlement bank model



Post-trade made easy

# The solution: EUI USD settlement in the NSS





# Key elements of the solution

- Federal Reserve National Settlement Service
- EUI dollar service becomes an NSS Settlement Arrangement (October 2018)
- EUI as “settlement agent” instructs multilateral net position to Fed reserve account
- Client & settlement bank obligations final and irrevocable when securities settle (real time)
- Control tools:
  - NSS settler limits and positive affirmations
  - Sterling prefunding (BoE account)
  - Business continuity processes



## The benefits

- Clients certain of dollar funds as securities settle (real time)
- Settlement banks and NSS Settlers can monitor and control their mutual exposures
- Multilateral netting reduces funding needs
- Banks protected against counterparty default
- Confidence in FRBNY/BoE/EUI dollar arrangement
- Choice of sterling, euro or dollar settlement in central bank money

