

DO NOT FALL BEHIND – BANK SERIES



Beyond Connectivity – The Rise of Functional Interoperability



Do Not Fall Behind

Beyond Connectivity – The Rise of Functional Interoperability

Over the past decade, “interoperability” has become one of the most overused words in financial infrastructure.

It appears in every roadmap, strategy, and policy paper — promising to make the global payment landscape faster, simpler, and more efficient.

But despite the rhetoric, **true interoperability remains largely unrealised.**

Today’s payment systems can *communicate*, but they cannot *cooperate*.

Messages flow, but liquidity does not.

Connections exist, but integration does not.

The next stage of progress lies not in expanding the number of connections between systems, but in enabling **functional interoperability** — where value, liquidity, and information move together, in real time, across all borders and currencies.

1. The Limits of Message-Based Connectivity

For decades, cross-border payments have relied on message-based interoperability — essentially, the exchange of instructions between systems.

While global messaging standards (like ISO 20022) have improved transparency and harmonisation, they have not solved the underlying problem: **the lack of shared liquidity.**

Messages can be instant, but settlement remains delayed.

Data can be aligned, but value remains siloed.

This type of interoperability improves communication, not performance.

The result is faster messaging — but still slow money.

2. Defining Functional Interoperability

Functional interoperability goes far beyond messaging.

It integrates **three essential layers** of value movement:

1. **Information** – data and instructions (who, what, where)
2. **Liquidity** – the actual value being transferred
3. **Settlement finality** – legal completion and risk extinguishment

Only when these layers operate simultaneously and continuously across systems can we achieve true interoperability.

In this model, a payment is not a request — it is a **real-time transfer of value**, executed and settled instantly, regardless of geography or currency.

3. The Role of UNITE Global FMI

UNITE Global FMI provides the structural foundation for this new interoperability paradigm.

Its **Real-Time Super-Centralised Liquidity (RT-SCL)** mechanism enables participating banks to hold and transfer liquidity globally, in real time, across central bank money.

This means that systems connected through UNITE are not merely “linked” — they are **operationally unified** through a shared liquidity environment.

The distinction is critical:

- Message interoperability connects systems.
- Functional interoperability connects value.

UNITE delivers the latter.

4. Benefits of Functional Interoperability

For banks, this transition unlocks transformative capabilities:

- ✓ **Instant global settlement** — real-time value exchange across jurisdictions
- ✓ **Liquidity efficiency** — no duplication or prefunding required
- ✓ **Full transparency** — immediate visibility across all positions
- ✓ **24/7/365 operations** — independent of local system hours
- ✓ **Enhanced resilience** — decentralised access, centralised control

Functional interoperability not only improves efficiency — it **reshapes the structure of liquidity management** itself.

5. Implications for Central Banks and FMIs

Central banks and domestic FMIs stand to gain from this evolution.

By integrating through UNITE’s global liquidity layer, they maintain full sovereignty over their own systems while enabling interoperability at the functional level.

This means:

- Each central bank continues to govern its own currency.
- Each RTGS system retains autonomy.
- Yet all become part of a synchronised global infrastructure — aligned by liquidity, not just data.

This model advances the **G20's Enhanced Cross-Border Payments Roadmap**, addressing all four targets: cost, speed, access, and transparency — simultaneously.

6. The Path Forward

The global payments ecosystem is at a crossroads.

Incremental progress through better standards and messaging will yield only marginal gains.

The real transformation will come from **shared liquidity infrastructures** — systems that make liquidity as mobile and continuous as information.

Functional interoperability marks that transition:

From message exchange → to value exchange.

From technical connectivity → to operational unity.

From efficiency → to **true systemic alignment**.

7. Closing Message

The world does not need more payment systems — it needs systems that function as one.

True interoperability is not built through messages, but through shared liquidity.

Connectivity is the start.

Convergence is the goal.

UNITE Global FMI delivers the function.