

DO NOT FALL BEHIND



Risk Reduction Through Real-Time Super-Centralised Liquidity (RT-SCL)



Risk Reduction Through Real-Time Super-Centralised Liquidity (RT-SCL)

and Real-Time Foreign Exchange (FX) Settlement within UNITE Global FMI

1. Overview

Traditional cross-border payment and FX settlement structures expose participants to multiple forms of financial, operational, and systemic risk.

These risks originate from fragmented settlement windows, prefunding requirements, asynchronous FX legs, and reliance on correspondent intermediaries.

The **RT-SCL framework**, combined with **real-time FX-as-a-Service (FXaaS)** inside the **UNITE Global FMI**, addresses these vulnerabilities by unifying liquidity, settlement, and FX conversion within a single, continuously operating, risk-controlled environment.

2. Key Risk Categories and Impact

Risk Category	Traditional Exposure	Impact	How RT-SCL Mitigates or Eliminates the Risk
Settlement Risk (Principal Risk / Herstatt Risk)	Time lag between currency legs causes exposure if one party defaults before the second leg settles.	Loss of principal; contagion risk; systemic concern.	Eliminated through <i>atomic, simultaneous FX settlement</i> inside the FMI — both legs settle with finality in real time.
Counterparty Credit Risk	Counterparties rely on each other's solvency until delayed settlement completes.	Potential default exposure; increased capital requirements.	Eliminated/Minimised: Transactions settle instantly in fully funded accounts held within the FMI; no open credit exposure.
Liquidity Risk / Prefunding Requirement	Trapped liquidity in nostro/vostro accounts; daylight funding strain; fragmented cash pools.	Inefficient liquidity use; opportunity cost; funding risk during stress.	Reduced dramatically: Global, real-time liquidity visibility allows instant reallocation across currencies; no need for prefunded correspondent balances.
FX Settlement Risk (CLS Window Dependence)	FX settlement constrained to specific time zones and CLS operating windows.	Limited flexibility; residual risk outside operating hours.	Eliminated: RT-SCL enables <i>continuous 24/7 FX settlement</i> , independent of local RTGS or CLS hours.
Operational Risk	Multiple intermediaries, manual processes, and inconsistent operating hours.	Error risk; reconciliation failures; delayed exception handling.	Reduced: Unified platform with automated real-time settlement, continuous monitoring, and harmonised message standards.

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Risk Category	Traditional Exposure	Impact	How RT-SCL Mitigates or Eliminates the Risk
Time-Zone Risk	Non-overlapping operating hours between jurisdictions cause delayed settlement and trapped liquidity.	Delays; funding stress; cross-time-zone uncertainty.	Eliminated: RT-SCL operates continuously; liquidity movement and FX execution are not time-zone dependent.
Correspondent Bank Risk / Intermediary Dependence	Reliance on chains of intermediaries for clearing and settlement.	Accumulated fees, operational opacity, and concentration of risk.	Eliminated: Banks settle directly within the FMI; no correspondent layers needed.
Legal Finality Risk	Uncertainty over settlement finality when operating across systems and jurisdictions.	Disputes and delayed recognition of completed payments.	Removed: Settlement occurs under FMI rulebook and legal framework defining finality at transaction execution.
Transparency & Reporting Risk	Fragmented visibility of cross-border flows and liquidity positions.	Delayed regulatory insight; difficulty in systemic monitoring.	Eliminated: Continuous real-time visibility of positions, flows, and settlement outcomes across all currencies.
Concentration Risk in Intermediary Currency (USD Dependency)	High reliance on USD as intermediary currency for global settlements.	Systemic concentration; macro-financial vulnerability.	Reduced: Multi-currency liquidity holdings and real-time FX enable direct currency-to-currency settlement without USD intermediation.

3. Broader Systemic Benefits

Beyond direct risk reduction, the **RT-SCL + real-time FX** model contributes to systemic stability by:

- **Improving liquidity velocity:** Funds circulate continuously rather than being immobilised.
- **Lowering aggregate systemic exposure:** Settlement occurs with finality in real time, reducing build-up of pending obligations.
- **Enhancing macroprudential oversight:** Regulators and central banks gain near-real-time insight into liquidity positions and cross-border flows.
- **Supporting G20 targets:** Meets and extends the goals of **cost reduction, speed, access, and transparency** in cross-border payments.

4. Summary

The integration of **Real-Time Super-Centralised Liquidity** with **real-time FX execution** effectively removes the structural settlement risks that have defined cross-border finance for over half a century.

It eliminates the temporal and jurisdictional gaps that create exposure — ensuring that every transaction is **instant, final, transparent, and risk-free**.

In doing so, it replaces a model built on trust and delay with one built on **finality and flow**.

