Liquidity Management and NDC

Product Council
13th January 2026

Product Council Discussion NDC & Liquidity

1. Purpose:
   a. Product Council discussion and guidance
   b. Illumination regarding the NDC
2. Outcome sought: Direction to Mojaloop Community and Hub Operators

Why This Is in Front of Product Council

- Issue raised by Zar Chi Tun (ThitsaWorks)
  - https://github.com/mojaloop/project/issues/3482
  - Operational risks arising from the use of cleared funds in subsequent transactions
- Reviewed by Design Authority – 3 Dec 2025
- **Conclusion**: Not a Hub defect, but a scheme-level risk
- Requires product and policy guidance

How the Issue Was Framed

Two distinct but related concerns:

- Liquidity management practices
- Purpose and interpretation of the NDC

Risk arises when these are conflated

Liquidity Types – What Matters

Settled funds: final, risk-free

Prefunded liquidity: safe *if* Mojaloop principles upheld

Cleared funds: safe only if settlement is guaranteed (Mojaloop principles upheld)

Risk emerges when pre-funding requirement is relaxed

Risk to a Scheme

- DFSP trades on cleared but unsettled funds
- Settlement subsequently fails or is delayed due to lack of prefunded liquidity
- Downstream default and contagion risk

Risk is introduced by scheme choices, not Hub logic - there is no technical way for the Hub to guard against this risk

What the NDC Is (and Is Not)

- **Is:** a ceiling on obligations a DFSP may incur
- **Is not:** a safety margin or substitute for liquidity

Primary purpose is to manage liquidity during settlement engine downtime

Why NDCs Exist at All

- Settlement systems are not always available
- RTGS closures (weekends, holidays, outages)
- NDC helps DFSPs ration liquidity during these periods
- **Does not** remove need for prudent liquidity planning

Question 1: How Should Cleared Funds Be Treated?

Should cleared but unsettled funds be usable as liquidity?

- If yes: under what conditions?
- If no: what is the cost to scheme liquidity efficiency?

Option A: Status Quo + Stronger Guidance

- Allow current behaviour
- Explicitly document risks to hub operators
- Highlight the need for **strict** adherence to pre-funding principles
- NDC used as supplementary control

Option B: Settled Funds Only

Only settled funds count as usable liquidity

- Cleared funds locked until settlement completes

Pros: eliminates contagion risk

Cons: higher liquidity burden, lower efficiency

Option C: Selective Use of Cleared Funds

- Allow use of cleared funds only for trusted DFSPs

  - At Hub operator/scheme owner discretion

- Implemented via Working Capital Reduction (WCR) option

- Supported in TigerBeetle accounting model

Question 2: What Role Should the NDC Play?

- Is the NDC still necessary?

- Is its purpose well understood by operators?

- Should it remain mandatory, optional, or exceptional?

Option D: Decouple NDC from Settlement Availability

- Queue settlement instructions during partner downtime

- Could remove need for NDC

- Does not fully solve liquidity risk

- Appropriate only in exceptional scenarios

Decisions Sought from Product Council

Which options should Mojaloop make available to scheme implementors?

- Preferred liquidity model for Mojaloop schemes
- Acceptability of selective cleared-fund usage (WCR) - per scheme, or per DFSP?
- Future positioning of the NDC
- Guidance to scheme owners and hub operators

Proposed Next Steps

- Product Council direction captured
- Review by TGB and DA
- Updated guidance issued to Mojaloop Community
- Alignment with TigerBeetle rollout
- Optional updates to documentation and operator playbooks