



BUNA NEWSLETTER

**Arab Regional Payments Clearing
and Settlement Organization**

ISSUE NUMBER 11

APRIL 2022



CEO MESSAGE

Dear community and friends,

Buna is not just about payments, as payment systems in general have strategic importance and far-reaching implications in supporting the financial needs of individuals and corporates and hence contributing to economic growth and financial inclusion among many other aspects.

By enabling real-time and safe cross-border payments, Buna brings a tangible added value to its participants by allowing them to better cater for the need of their customers to transfer money internationally and make funds immediately available for use by the recipient.

Buna does not interact directly with the end-users of the payments it processes. However, the use cases that Buna supports, coupled with its cross-border and multi-currencies dimensions, have a direct positive impact on the day-to-day activities of its participants and their clients and indirectly also a positive impact on the economies of the countries where those participants operate.

The list of the use cases that Buna supports, whether through its RTGS system or its instant payment service (Buna IPS), showcases the important role it can play in offering tangible benefits to consumers, businesses, and the wider society. The list includes and will not be limited to facilitating business activities, processing remittances and interbank transfers, and facilitating trades between different countries and regions.

With its plans to be a financial hub connecting the different financial institutions within the Arab region and offering them safe and efficient access to foreign markets, while simultaneously offering foreign financial institutions a single-entry point to the region's financial systems, Buna is progressing with the widening of its services and consequently having an even higher positive impact at both micro and macroeconomic levels.

In this context, we are reinforcing the important role of Buna as a bridge that can enhance intra-Arab trade and business relations and cater to their citizens' financial needs, as well connecting the Arab region with the rest of the world. The concept of hub-to-hub connectivity that Buna is implementing is the result of its ability to cooperate with other market infrastructures in enhancing the payment industry and supporting economic growth, international trade, global development, and financial inclusion.

CEO MESSAGE

Those envisioned partnerships pave the way to empower the Arab economies by facilitating the smooth flow of cross-border payments between the Arab countries and foreign markets, underpinning economic activities, easing the flow of capital investments from the Arab region toward its trade partners, and fostering consumers' confidence in the use of money and payment services.

Our multilateral approach and multi-rail interoperability plans represent tangible moves that Buna is making toward fulfilling its vision to make cross-border payments accessible, faster, more transparent, and less costly.

We recently announced the signing of two memorandums of understanding (MoU) that aim to achieve interoperability between Buna and both NPCI International Payments Limited (NIPL), the international arm of the National Payments Corporation of India (NPCI), and the Pan-African Payment and Settlement System (PAPSS).

With these MoUs in place, we are laying the foundational elements for future actions to introduce additional payment rails of global aspects for the Arab countries and offer our participants efficient and secure gateways to connect to a diversified network of financial institutions across India and the African continent.

We are committed to continue exploring partnership opportunities with leading payment systems to realize strategic interoperability and offer modern and secure solutions that serve citizens and firms in the Arab region and beyond.

Mehdi Mana





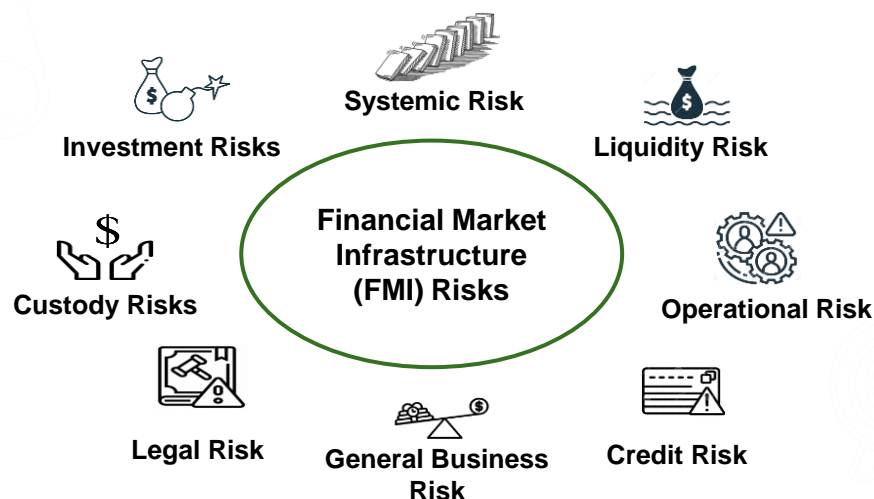
Identifying Risks Related to Financial Market Infrastructures: How Buna mitigates these risks

By Buna's Senior Risk Officer, Sada El Hayek

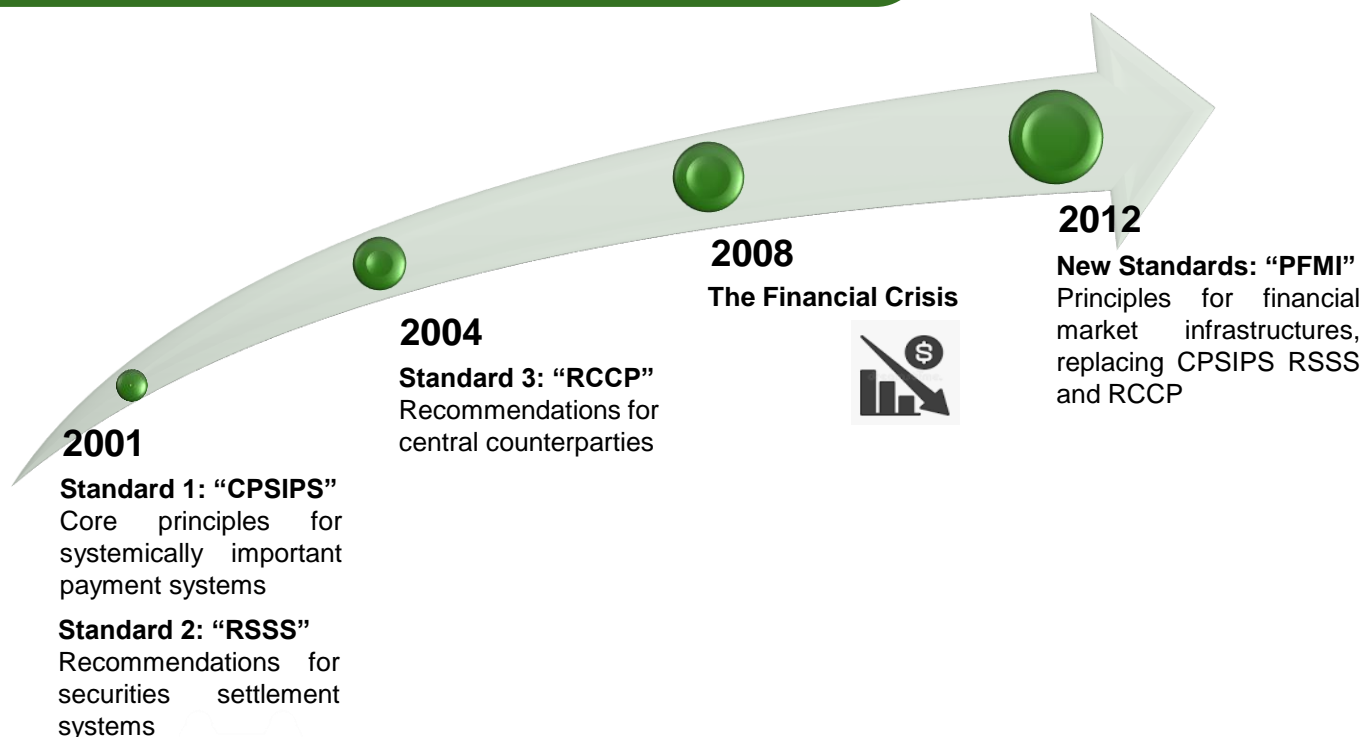
Buna is designed as a Financial Market Infrastructure (FMI) aiming at transforming the Arab Region's financial landscape through advanced automation and enhanced speed of cross-border payments, at a lower cost, with higher safety and efficiency.

The progressive digitalization, integration, and interdependence of FMIs brings along a wide range of risks and tighter interdependencies between systems, institutions, and operations. Due to these challenges, the need to understand, regulate, and monitor the design and performance of FMIs was reinforced.

An FMI, as defined in the CPSS-IOSCO PFMI, is a multilateral system among participating institutions, including the operator of the system, used for the purposes of clearing, settling, or recording payments, securities, derivatives, or other financial transactions. These FMIs are divided into five distinct types, including (a) Payment Systems, (b) Central Securities Depositories (CSDs), (c) Securities Settlement Systems (SSSs), (d) Central Counterparties (CCPs), and (e) Trade Repositories (TRs). Due to the differences in the nature, operations, and business model of each type of FMI, the risks they face may vary.



As important as it is to proactively identify the full spectrum of existing and emerging risks, it is crucial to adopt the appropriate measures for treating those risks on a timely basis. However, despite being exposed to a wide range of risks, due to its qualitative nature, Operational Risk remains prominent for FMIs since it is inherent in all types of products, services, processes, and systems, making it more intrinsically challenging compared to financial risks that are quantifiable in nature. Therefore, Operational Risk Management becomes an integral element for the robustness of the overall risk management of an FMI and its System.



Due to the systemic importance of the various types of FMIs, several international best practices were issued and revised throughout the decades. In response to the global financial crisis, the Committee on Payments and Settlement Systems (CPSS) of the Bank of International Settlements (BIS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO) published the Principles for Financial Market Infrastructures (PFMI) in 2012. Replacing the previously issued practices, the CPSS-IOSCO PFMI provides a comprehensive set of principles that are designed for promoting the efficiency, safety, and stability of FMIs through:

- Supporting Central Banks in defining and exercising their oversight expectations.
- Supporting FMIs to comply with the Central Banks’ expectations, on the basis of the CPSS-IOSCO PFMI.

Buna has been designed and established as an FMI and, more specifically, as a cross-border payment system that:

- Provides payment clearing and settlement services to different financial institutions.
- Is comprised of a set of instruments, procedures, and rules for the transfer of funds between or among participants.
- Ensures system stability and robustness by implementing its fair and inclusive eligibility criteria and participation requirements, including compliance aspects.
- Ensures high level of soundness as well as operational and financial resilience through:
 - A low-risk pre-funded business model.
 - A high degree of security and operational reliability.
 - A secure, resilient, and available infrastructure.

BUNA BYLINE

As a payment system, aiming to fulfil its objectives and continuously enhance its efficiency, safety and stability, Buna's Risk Management framework was developed on the basis of the Three Lines of Defense Model, published by the Institute of Internal Auditors (IIA), and the appropriate international best practices (CPSS-IOSCO PFMI and COSO). Through this framework, a common risk culture and governance structure was developed to regularly streamline the risk-related roles and responsibilities across the Business (First Line of Defense), Oversight Functions (Second Line of Defense) and Internal Audit (Third Line of Defense).

Also, Buna implemented its Risk Management process that constitutes of risk identification, assessment, treatment, monitoring, and reporting. In this process, Buna strives to proactively identify the plausible sources of risk exposure (internal and external) and implement the appropriate risk treatment plans continuously and effectively.

In addition, as a young FMI, Buna is constantly evolving. To ensure being up to date with the international standards, a CPSS-IOSCO PFMI self-assessment is conducted internally on a regular basis where all gaps and issues identified are addressed and adopted as lessons learnt.

Furthermore, as stated in its articles of establishment, Buna should be subject of the oversight of central banks with the objective of ensuring Buna's safety, efficiency, and continuous alignment with regulatory expectations.

With the greater demand for automation, speed, safety, and availability, payment systems should have all the appropriate measures in place to avoid any disruption. This motivates Buna to strive to achieve its objectives and vision through continuous business development and innovation, under the umbrella of risk management, oversight, and robust governance arrangements.

NEWS & ANNOUNCEMENTS

Buna and PAPSS set the foundation for interoperability between their platforms

The Arab Monetary Fund (AMF) and the African Export-Import Bank (Afreximbank) announced today the signing of a Memorandum of Understanding (MoU) that sets the foundation for cooperation and interoperability between Buna, the cross-border and multi-currency payment system owned by the AMF, and the Pan-African Payment and Settlement System (PAPSS), owned by Afreximbank.

Under the terms of this MoU, Buna and PAPSS will cooperate to achieve efficient interoperability between their respective platforms and act as payment gateways that link the Arab region to the African continent. Buna and PAPSS interoperability will allow their participants to process fast, cost-effective, and secure cross-border payments in multi-currencies, and expand their footprint in the global payment landscape. The full announcement can be read on: [Buna LinkedIn page](#)

H.E Dr. Abdulrahman A. Al Hamidy, Director General Chairman of the Board of the Arab Monetary Fund: *“Buna’s success to establish interoperability with regional market infrastructure like PAPSS is another key milestone in Buna’s continuous efforts to expand its regional and global network and increase the value it brings to its participants.”*

H.E Professor Benedict Oramah, President of Afreximbank: *“The MoU with BUNA is yet another milestone that PAPSS has registered after its commercial launch. The Arab World and Africa have a long history of trade relations and the PAPSS-Buna partnership will further facilitate the growth of trade between the two regions.”*

H.E Dr. Sidi Ould Tah, BADEA Director General said : *“The signing of this MoU, is a remarkable milestone that opens up to more work that will enable the interoperability of the two systems for more trade and prosperity between the Continent and the Arab World.”*

The news in the press (a snapshot)



Buna and PAPSS plan for interoperability



AMF signs MoU with Afreximbank

Buna and PAPSS will act as payment gateways that link the Arab region to the African continent



منصة "بني" تعقد شراكة لدعم التجارة العربية مع أفريقيا

الترايط بين نظامي بني وبابس من شأنه أن يعزز من قدرتهما على توحيد جهودهما لتشكيل منفذ رئيس لتنفيذ أعمال مقاصة وتسوية المدفوعات بين المنطقة العربية وبلدان أفريقيا مع توفير قائمة متنوعة من خيارات الدفع.

WORKSHOP OF THE MONTH

Buna conducted its **32nd virtual workshop on Thursday, April 14, 2022**, to elaborate on the preparations to start the provision of cross-border payments services in euro through Buna.

At the occasion of announcing the imminent start of the euro operations in Buna, the workshop hosted Standard Chartered Bank which spoke about their role as the settlement bank for the euro in Buna and detailed the process of executing payments in this international currency.

Additionally, a high-level representative of the European Central Bank shared his views on the value that Buna brings to the Arab region, by enabling a seamless, safe, and efficient usage of the euro in cross-border payments.

The importance of instant payment services in driving the growth of cross-border payments in the Arab region has been highlighted during the workshop, by the Central Bank of Egypt (CBE). The CBE also showcased Buna's contribution to the expansion of Instant Payment in the region by promoting the usage of this modern payment instrument.

Additionally, the workshop shared recent updates on Buna's active plans to achieve interoperability with regional payment systems, announcing a strategic collaboration with the Pan-African Payment and Settlement System (PAPSS) to achieve efficient interoperability between both systems and act as payment gateways linking the Arab region to the African continent.

Our guest speakers:

- **Mr. Ehab Nasr**, Assistant Sub Governor, Payment System & Business Technology Sector, Central Bank of Egypt
- **Mr. Ulrich Bindseil**, Director General, Market Infrastructures and Payments, European Central Bank (ECB)
- **Mr. Mike Ogbalu**, CEO, Pan-African Payment and Settlement System (PAPSS)
- **Mr. Faisal Hussain**, MD & Head of Correspondent Banking AME at Standard Chartered Bank



Don't miss the **next workshop on May 12, 2022, at 12:00 pm UAE time**. The workshop will share additional updates on Buna's progress in building additional rails of payment by connecting with global financial market infrastructures. Additional details on Buna products and operations will be shared during this workshop.

DISCLAIMER

This newsletter has been prepared by the Arab Regional Payments, Clearing and Settlement Organization (ARPCSO) as Operator of Buna, the Arab Regional Payment System. ARPCSO will not be liable for any claims or losses of any nature arising directly or indirectly from use of the information, data, documentation or other material on this newsletter.

All the information, data, documentation and other material (copy and images) contained in this newsletter are protected by intellectual property rights.

In principle, the information contained in this newsletter can be reproduced, redistributed and transmitted for non-commercial purposes, as long as the ARPCSO as its source is acknowledged.

The information appearing on this newsletter is for preliminary and general information only and may be subject to change in any time without prior notification.

For more information, please contact:

Buna

**Arab Regional Payments Clearing
and Settlement Organization**

Abu Dhabi, United Arab Emirates

P.O. Box: 2818

Tel. Office: +(971) 2 617 1200

Fax No.: +(971) 2 639 1255

Email: buna@amf.org.ae

