



BUNA NEWSLETTER

**Arab Regional Payments Clearing
and Settlement Organization**

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CEO MESSAGE

Dear community and friends,

Summer has been very busy at Buna!

The Euro is here! Buna's participants can now use it in their cross-border payments in real-time, in a safe and cost-effective way. This is a key milestone. The inclusion of an international currency in Buna contributes not only to enhancing payments across the Arab region, but also to strengthening the economic ties between two important regions, Europe and the Arab world in this particular case. Efficient payment solutions support remittances as well as trading and investment flows. They have accordingly a direct impact on citizens and corporates across borders and they influence the way countries and regions can interact and cooperate with each other.

To unlock additional international opportunities, in parallel to supporting the transition to our new instant payment service, we have recently shared with our community a plan to increase gradually our settlement windows and operating hours for the different currencies. That plan has been put in action during the summer period. Starting from the first of October the settlement windows for most of the currencies are extended, up to 9 p.m. in certain cases, and the number of operating days is also increased to six days for three of our settlement currencies.

During summer, we have also launched our new website, in its English version first, and followed by the Arabic version a few weeks later. We believe that, while Buna is reaching its full maturity, our website will be a key medium to support efficient information sharing and interaction with a community of users and stakeholders that is getting larger every day. To achieve that objective, we tried to bring on the website a rich amount of information, but in a concise manner and through a user-friendly design. We hope that we have been successful and that you have been enjoying using it and finding it practical.

During the last quarter, important efforts have been also allocated to testing and preparing for the upcoming FX-PVP service. This new feature will bring liquidity management to a new level of efficiency, as it will allow optimizing liquidity needs across borders and currencies with the support of robust and safe mechanisms. My colleague Faisal Alhijawi will tell you in the byline article of this newsletter more about this feature and how at this occasion again, we have preferred reconciling efficiency and risk limitation rather than making a choice between the two of them.

CEO MESSAGE

On another important front, which also contributes to ensuring that Buna complies at international level with the highest regulatory expectations, we finalized in July the periodic review of our self-assessment against the Principles for Financial Market Infrastructures (PFMIs). These principles, issued by the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO), aim at ensuring among other aspects that infrastructures supporting global financial markets are robust, well placed to withstand financial shocks and maintain financial stability and that they limit the risk and enhance safety and efficiency in payment. I am happy to share with you that our self-assessment demonstrates that Buna, despite its young age, has already a strong level of adherence to the PFMIs and that the actions required to cover the few and non-critical remaining gaps were already identified and planned.

While the Buna team has been particularly occupied during the last quarter, it seems that our participants have demonstrated an equal if not higher eagerness to be productive during the summer period. During the past months, we have seen many banks finalizing their preparation and starting active participation in Buna and we have seen the banks which were already live activating additional currencies and using Buna for more transactions. I would like to thank them for their trust and for sharing the common objective of making cross-border payments more efficient. I would like to thank in particular those of them that have joined us during the monthly workshops that took place over the summer period to share their insight and practical experience of Buna with our large community, in an open and collaborative way.

Finally, I would like to thank all of you, readers of this newsletter and supporters of Buna. Your reiterated interest brings us greater belief in our mission to enhance cross-border payment and makes our commitment to deliver the underlying benefits even stronger.

Mehdi Manaa



From Multi-Currency to Cross-Currency: Introducing Buna's FX service (Payment vs Payment "PvP")

By Faisal Alhijawi, Chief Strategy and Development Officer

The global efforts to enhance cross-border payments and eliminate their frictions have a key agenda item to address the cross-currency aspect. Led by the group of twenty "G20" and spearheaded by the FSB and BIS's CPMI, block 9 of the G20 roadmap is particularly highlighting the importance of increasing adoption of **Payment versus Payment (PvP)** mechanism in transactions involving foreign exchange operation.

In Buna we have been striving to minimize risk in all our processes, and when it comes to FX transactions, the sources of risk could be multiple. Accordingly, in the context of our plan to introduce our FX service by the end of this year, we have been paying particular attention to tackling the different questions and providing the responses that lead to a safe and innovative FX service, where the need for efficiency concurs with the obligation to limit the risks.

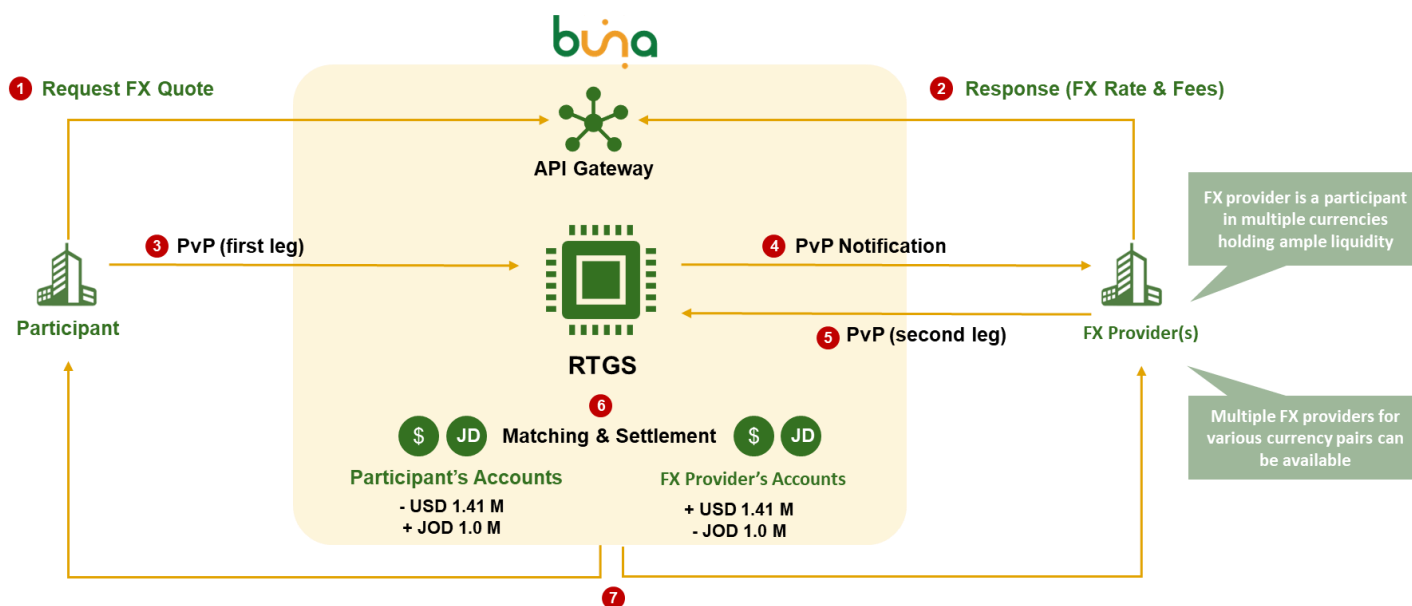
One of the first challenges sit in the role that the payment system should play in the FX transaction. Limiting the contribution of the market infrastructure would maintain the current status-quo where the risks resulting from FX transactions are generally high, while the efficiency is leaving room for improvements. However, if the payment system is directly involved in the FX deal, it could expose its operator to an amount of risk that is difficult to reconcile with its primary function and propagate the risk to the entire ecosystem. In Buna, our choice is to enable our participants to perform FX transactions directly between each other, without the involvement of Buna in the FX deals. By enabling participants holding sufficient liquidity in certain currencies to become FX providers for other participants, we create new business opportunities across the ecosystem. On the other side, by relying on the service that we provide, participants in lack of liquidity in a given currency could find an appropriate FX provider that will allow them optimizing their liquidity usage across borders and currencies.

Another important aspect is of course the mechanism that is used to process and settle the FX transactions. In Buna, we opted for the PvP mechanism in line with the G20 recommendation. As with PvP mechanism payment in one currency can occur only if the payment in the other currency takes place (simultaneously), the settlement risk relating to FX transactions is reduced to a large extent. However, as Buna combine the PvP mechanism with its model that is applicable to all transactions and which rely on prefunding and cater for immediate finality, we can consider the settlement risk totally eliminated from the FX transactions settling in Buna.

BUNA BYLINE

We had also to decide whether to provide the FX service in connection to other payment legs or rather at the level of the accounts. In order keep the payment flows simple and seamless, the scope of our FX service will apply at account and liquidity level (rather than payment level). The aim is to facilitate cross-currency liquidity management by offering to the participants the possibility to re-distribute funds between accounts within Buna system, while individual payments continue to take place in single-currency circuits in real-time without any flow interruption due to FX dependency. This is envisioned to step-up the liquidity optimization for our participants by centrally managing multiple currency accounts and balances via one single window, avail liquidity in real-time and support clients' needs especially in the age of 24x7 cross-border instant payments and interoperability between payment systems around the world.

As a result of these different choices, the Buna FX service can be depicted as follows, using an example of JOD/USD FX transaction:



The scenario above can take place in any currency pairs available in Buna as long as there are participants who are FX providers in these pairs. Buna system will not store exchange rates, FX inquiry is sent as API proxy call with no information being stored centrally at Buna. Parties should populate the subsequent PvP steps with the appropriate values, taking into consideration that PvP transactions are processed only with “same-day-value”, and on “settle-or-reject” basis; i.e., if any of the debiting accounts doesn't have enough funds then PvP transaction is rejected with appropriate notifications. This was also an important choice that we made when designing the service and which aim at limiting the principal risk.

Finally, we paid particular attention to making the service user-friendly. Therefore, we have designed it based on rich and modern set of APIs to support the interaction between the participants to arrange their FX deal. We look forward to the participants' active use of the service, Collectively, with our participants, we will continue unlocking opportunities and value-added services and contributing to the world's journey to enhance cross-border payments.

NEWS & ANNOUNCEMENTS

Buna and Standard Chartered celebrate euro real-time payments in Buna

Buna and Standard Chartered held a ceremony on September 9th, 2022, to announce go live of the euro cross-border payment operations in Buna. The service is now activated by multiple participants to benefit from the real-time settlement feature of euro payments taking place in Buna across borders in compliance with global best practices and international standards. The live operation of the euro marks another major milestone in Buna's journey to enhance cross-border payments and develop innovative payment solutions for corporates and individuals. The collaboration between Buna and Standard Chartered represents a strategic joint effort towards unlocking opportunities for greater economic integration within the Arab region and strengthening economic ties with Europe and other major trade partners.



Money and Banks UAE

Buna and Standard Chartered celebrate euro real-time payments in Buna

وكالة أنباء
الإمارات-وام
EMIRATES
NEWS AGENCY-WAM



منصة 'بنى' للمدفوعات العربية تطلق خدمة الدفعات اللحظية باليورو

Rola Abu Manneh, Chief Executive Officer, Standard Chartered UAE:

👏👏 We are pleased to witness this initiative go live, supporting our clients in their cross-border payments. This solution capitalizes on our international footprint and network, bringing Standard Chartered's global capabilities to the doorstep of our clients. We are also delighted to be working with the Arab Monetary Fund on delivering this innovative solution and look forward to further sharing the Bank's expertise across the payment clearing industry.

Mehdi Manaa, Chief Executive Officer of Buna: 👏👏 I would like to thank our partner Standard Chartered for sharing our commitment to enhance cross-border payments. As the result of our common vision and fruitful collaboration, Buna can now offer real-time settlement of cross-border payments in euro. This is an important achievement towards building global and efficient payment bridges. Our participants will be benefiting further from our centralized, efficient, risk controlled, and secure system to optimize their payments in a major international currency, the euro". He added "At this occasion, I would like to thank also the European Central Bank (ECB) for having followed with interest all the major milestones that have led to this success."

NEWS & ANNOUNCEMENTS

Buna Publishes Its First Annual Report

On June 30th, 2022: The Arab Regional Payments Clearing and Settlement Organization (ARPCSO), which operates the cross-border and multi-currency payment system Buna, published its annual report for the year 2021. The 2021 annual report marks the first year of Buna’s operations. It summarizes the different achievements realized during this eventful year and the progress made in realizing our mission to provide efficient payment solutions that empower Arab economies and promote regional integration.



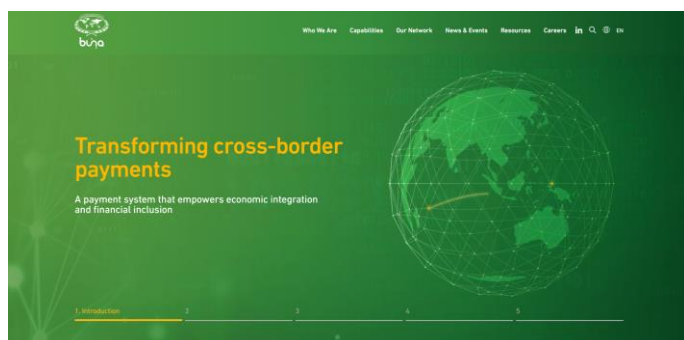
Download [here](#)

His Excellency Dr. Abdulrahman A. Al Hamidy, Director General Chairman of the Board of the Arab Monetary Fund: *”This annual report represents another important milestone that confirms the solid foundation of Buna and reinforces its potential to support growth and development in the Arab region and beyond.”*

Mehdi Manaa, Chief Executive Officer of Buna: *”I am pleased to share with our community our annual report for 2021, documenting a first year of operations that has been full of achievements, and which open excellent perspectives for 2022 and the following years to come. We are committed to our mission and to continue meeting the expectation of our participants. I also take this opportunity to thank the Arab Central Banks and their esteemed Governors for their continuous support and the Arab Monetary Fund (AMF) and His Excellency Dr. Abdulrahman A. Al Hamidy, Director General Chairman of the Board of the AMF, for having given to Buna the basis for its success..”*

Buna Launches Its Website www.buna.co

During July 2022 Buna has launched its revamped website, showcasing detailed information about Buna’s objectives, products, currencies, network of participants, technology, onboarding process, compliance and risk aspects, news and events, and many more....



EVENTS

“Cross-border Payments Need Higher Ambition!”. This was the narrative highlighted by Buna’s CEO Mr. Mehdi Manaa during his participation in **“The Central Bank Payments Conference”** [#CBPC202](#) on June 29th 2022, shedding light on the role that Buna plays in contribution to the global industry efforts to address cross-border payments challenges



Buna CEO Mr. Mehdi Manaa has participated as a keynote speaker in the **Global Fintech Fest (GFF2022)** event hosted by the National Payments Corporation of India “NPCI” in Mumbai, India on Sep 20th 2022.

The address titled **“Buna: A Space for Innovation in Cross-border Payments”** was delivered by Mr. Manaa to the GFF 2022 audience stressing on the importance of this strategic collaboration between the different actors in the ecosystem to streamline and cross-border payments and enhance end-user's' experience.



QUARTER THREE WORKSHOPS

During summer, three Buna workshops have taken place including two that hosted panels of participants who are actively using Buna for their cross-border payments to share their practical experience and view on the value that Buna brings to the payment sector in the Arab region and beyond. These panels included leading banks from UAE, Oman, Saudi Arabia, and Morocco.

Our guest speakers (participant banks' panel) during 34th workshop on June 16th:

- **Mr. Sanjay Sethi**, Senior Managing Director, Head of Global Transaction Banking, First Abu Dhabi Bank (FAB), UAE
- **Mr. Puneet Chopra**, Head – Transaction Management, Bank Muscat, Oman
- **Mr. Fayçal Badawi**, Head of Financial Institutions, Bank of Africa, Morocco

Our guest speakers (participant banks' panel) during 36th workshop on Sep 15th:

- **Ms. Ana Rita Sa**, Lead – Product Management, Abu Dhabi Commercial Bank (ADCB), UAE
- **Mr. Khalid A. Alturki**, Head of Financial Institutions, Arab National Bank (ANB), Saudi Arabia

The workshops have also covered several topics about Buna's developments and latest achievements and milestones, including:

- Buna FX service (PvP) overview
- Buna Application Programming Interface (API)
- Plans for extending Buna's operating window
- Compliance aspects including sharing Buna's live experiences and findings
- Achieving resiliency in Buna operations
- Outcome of Buna's self-assessment against the Principles for Financial Market Infrastructures (PFMI)
- Trends in Buna's Adoption and Usage

Workshops materials can be downloaded here [Buna Online Workshop](#)



Don't miss the **next workshop on October 27th, 2022, at 12:00 pm UAE time**. More details on the agenda to follow closer to the date.

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