

Finality and Fintium interoperability: towards intraday, settlement risk-free cross-currency swaps

Finality is reshaping financial markets. We will enable financial institutions to execute atomic PvP settlement instantaneously, 24/7, and backed by central bank money, eliminating settlement risk. Fintium enables FX swaps with T+0 settlement and intraday (same-day) maturity. Joining these two initiatives leads to our combined vision: the creation of a fluid, liquid intraday borrowing ecosystem with no settlement risk.



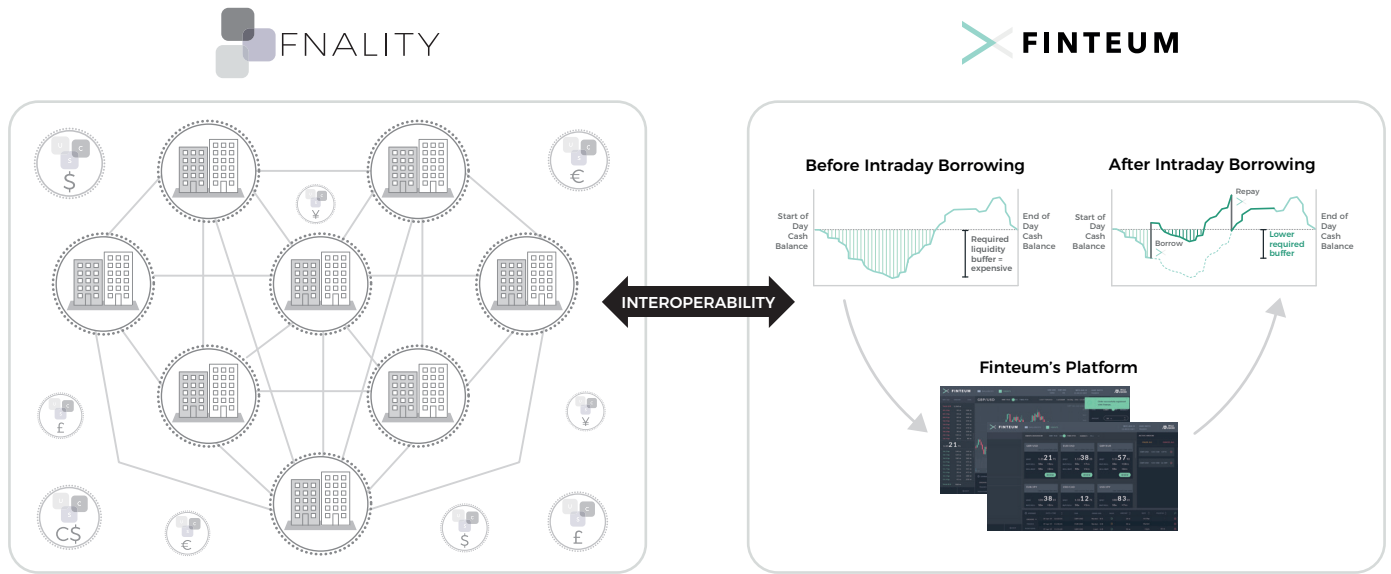
There is a general acceptance that tokenisation will be a prominent feature of tomorrow's financial markets. Finality International (Finality) is the commercial realisation of a four-year Research and Development project focused on understanding how market infrastructure needs to evolve to meet the challenge of tokenised markets. Finality is developing a payment foundation incorporating Legal, Regulatory, Operational and Technical aspects, creating a regulated network of distributed Financial Market Infrastructures (dFMIs). It will have an associated digital settlement asset per currency, the Utility Settlement Coin (USC), to settle the tokenised value transactions with finality. Five currencies are in the initial scope: CAD, EUR, GBP, JPY and USD, with further currencies to be added.



Fintium is creating a global financial market for institutional intraday borrowing. Fintium is a London-based start-up and has built a treasury funding order and trade management platform, using R3's Corda distributed ledger. It is built for intraday repo or securities borrowing and intraday FX swaps. Market participants have a secure, shared record of pre-trade orders that are visible through a central limit order book. These orders are matched by a proprietary matching algorithm, and migrate to post-trade settlement and to the distributed trade repository for regulatory reporting, such as SFTR, using identical trade records.

There is no one Blockchain to rule them all

We believe the Blockchain / DLT space is following the same path the internet followed in the last 20 years. Similar to the internet, the whole point is to let diverse machines talk to each other - in our case diverse Blockchains, each of them specific to a particular use-case. Hence, we are driving an interoperability approach to enable different networks to talk and understand each other in order to support intraday cross-currency swaps (PvP).



How does the Fnality and Finteum interoperability work?

Orders are initiated on the Finteum platform to borrow one USC currency against a balance in another one. To validate the order, the sell / buy currency is earmarked in USC for as long as the order is active. This is a request to the USC network triggered by a Corda flow. When the earmark is complete and checked by a settlement oracle in Corda, then the order in Finteum is considered valid. When a matching order is found in Finteum, then the settlement process is initiated and requested from Fnality's platform. Two simultaneous and atomic payments are made (PvP) representing the near leg of the FX swap. When the FX swap matures, the opposite process is triggered by the maturity time for the far leg.

