

April 1, 2021
Bank of Japan

Launch of Cross-border DVP Link between BOJ-NET JGB Services and HKD CHATS

The Bank of Japan has been preparing for implementing the cross-border DVP link¹ between BOJ-NET JGB Services and HKD CHATS², with a view to reducing settlement risks. After completion of necessary processes and confirmation of its readiness both by the Bank of Japan and the Hong Kong Monetary Authority, the cross-border DVP link is launched on April 1, 2021, as scheduled.

The cross-border DVP link is expected to facilitate, from a settlement perspective, the financial institutions' stable funding of foreign currencies even when the market is under stress, by improving the safety in the settlement of cross-currency repos (in this case between JGBs and Hong Kong dollar) .

Financial institutions could diversify their Hong Kong dollar funding tools, if the implementation of the cross-border DVP link results in bringing more liquidity to the cross-currency repo market.

In addition, the JGBs could enjoy enhanced value and usability as collateral assets from the cross-border DVP link that provides an opportunity for transactions between JGBs and Hong Kong dollar to be settled on a DVP basis through central banks' current accounts that do not bear credit risks.

¹ A cross-border DVP link is an initiative to link a securities settlement system with a payment system and achieve DVP -- a mechanism to ensure that a security is delivered if, and only if, corresponding cash is paid -- for a cross-currency transaction (i.e., exchange of a security against cash in different currency).

² Hong Kong dollar Clearing House Automated Transfer System