

Program and Budget Committee

Twenty-Ninth Session
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UPDATE ON THE NETTING PILOT

Prepared by the Secretariat

SUMMARY

1. This document sets out a progress report on the pilot on netting of certain Patent and Cooperation Treaty (PCT) fees, a project to analyze the possibility of introducing a “netting structure” for all PCT fee transactions. The aims of the netting structure are to reduce exposure to movements in currency exchange rates of fee income for the International Bureau and to reduce cost and effort for receiving Offices (ROs) and International Searching Authorities (ISAs) in handling PCT fees. The pilot project for netting of PCT fees began in 2018 with a number of ROs and ISAs, mainly covering search fees and international filing fees.
2. A preliminary review of the results to date indicates that the pilot project has delivered positive results. To confirm those preliminary findings, the International Bureau is carrying out an internal evaluation of the results of the 2018 pilot, including a detailed analysis of the financial results (to be reviewed by WIPO's Internal Oversight Division) and a survey to determine whether Offices which have participated in the pilot in 2018 were satisfied with the results. The results of that evaluation will be submitted to the PCT Working Group as part of a comprehensive progress report on the pilot, for consideration by the Working Group at its twelfth session, scheduled to take place from June 11 to June 14, 2019.
3. Furthermore, the International Bureau intends to invite several Offices that act as both an Office under the PCT and an Office under the Madrid and/or the Hague Systems to join an expanded netting process, which would include all transfers of funds to and from WIPO.

BACKGROUND

4. At the twenty-fifth session of the Program and Budget Committee (PBC) held from August 29 to September 2, 2016, as part of a report on the hedging strategy (document WO/PBC/25/20), in paragraph 9 of that document, the Secretariat reported that the International Bureau was exploring whether alternatives to hedging might successfully limit WIPO's exposure to currency exchange fluctuations. The PCT Working Group, at its ninth session in May 2016, discussed a document prepared by the International Bureau that set out various possible measures to reduce the risk of exposure of PCT fee income to movements in currency exchange rates (document PCT/WG/9/9). The discussions are summarized in paragraphs 21 to 36 of the Summary by the Chair (document PCT/WG/9/27); paragraphs 30 to 33 of the report of the session (document PCT/WG/9/28) give details of all the interventions. A copy of this document was included as an annex to document WO/PBC/25/20.

5. The International Bureau presented an update of the work carried out on one of the possible measures discussed in document PCT/WG/9/9, namely, introducing a "netting structure" for the transfer of PCT fees, at the tenth session of the PCT Working Group (see document PCT/WG/10/6). The discussions at this session are summarized in paragraphs 19 to 21 of the Summary by the Chair (document PCT/WG/10/24); paragraphs 50 to 59 of the report of the session (document PCT/WG/10/25) give details of all the interventions. The extract of the report of the session, reflecting the discussion on the item "Progress Report: Possible Measures To Reduce Exposure Of Pct Fee Income To Movements In Currency Exchange Rates Through Netting", is reproduced in Annex I to the present document.

6. At the eleventh session of the PCT Working Group, the International Bureau presented a further update of a pilot on netting of PCT fees (see document PCT/WG/11/4). The discussions at this session are summarized in paragraphs 46 to 51 of the Summary by the Chair (document PCT/WG/11/26); paragraphs 142 to 154 of the report of the session (document PCT/WG/11/27) give details of all the interventions. The Chair summarized that there was strong support from delegations for the netting pilot and for more Offices to join the pilot, but that there were some reservations about expanding netting to cover fees from other global IP systems at WIPO, such as the Madrid and Hague Systems. The extract of the report of the session, reflecting the discussion on the item "Progress Report: Possible Measures To Reduce Exposure Of Pct Fee Income To Movements In Currency Exchange Rates Through Netting", is reproduced in Annex II to the present document.

7. This document presents a further update on the possible introduction of a "netting structure" for the transfer of PCT fees.

INTRODUCING A "NETTING STRUCTURE" FOR THE TRANSFER OF FEES

8. The International Bureau, at the beginning of 2018, introduced a pilot project for the netting of PCT fees, building on arrangements which had been successfully implemented between the United States Patent and Trademark Office (USPTO) as RO and the European Patent Office (EPO) as ISA for the transfer of search fees from the RO to the ISA through the International Bureau. This pilot significantly expanded the number of Offices participating, the fee types involved and the provisions for balancing payments in both directions.

9. The scope of the pilot provides for the netting of the following fees and amounts:

(a) PCT fees received by Offices in their roles as RO, ISA or International Preliminary Examining Authority (IPEA) for the benefit of the International Bureau or other Offices:

(i) international filing fees collected by the Office as an RO;

- (ii) search fees collected by the Office as an RO for transfer to other Offices as ISAs;
 - (iii) handling fees collected by the Office as an IPEA;
 - (b) PCT fees received by the International Bureau for the benefit of ISAs:
 - (i) search fees collected by the International Bureau in its capacity as an RO on behalf of ISAs participating in the pilot;
 - (ii) supplementary search fees collected by the International Bureau for transfer to an Authority specified for supplementary search (SISA) participating in the pilot;
 - (c) amounts owed by the International Bureau to the ISA or owed by the ISA to the International Bureau under Rule 16.1(e) arising from any exchange gains or losses incurred by the Office as an ISA due to search fees transferred to the ISA by ROs not participating in the pilot in currencies other than the currency in which the ISA has fixed its search fee that are freely convertible into the fixed currency; and
 - (d) payments relating to other WIPO services, such as the Madrid and Hague Systems (for some Offices, only to be initiated in 2019).
10. Software to manage the netting process has been fully operational since the beginning of 2018.
11. If successful, it is envisaged that the pilot may be further extended to support centralized payments of fees for services provided on behalf of national Offices through ePCT, as well as extending the netting concept across a wider range of transactions, including more Offices and including Madrid and Hague payments into the processes.
12. Fees collected by an Office as a RO that are subsequently transferred to the same Office in its capacity as an ISA have been excluded from the pilot.
13. Participation in the netting pilot by ISAs is covered either in a Memorandum of Understanding (MoU) or through an exchange of letters, based on the preference of the ISA. The MoU or the exchange of letters defines the netting procedure and the search fee transfer process, as well as relevant documentation requirements.
14. The MoU is signed or the letters are exchanged between the International Bureau and the Office participating in the pilot in its capacity as an ISA. In accordance with the terms of the MoU or the exchange of letters, the International Bureau invites each of the ROs that has specified the participating ISA as competent for the international search of applications filed with the RO to participate in the pilot. In each case:
- (a) the International Bureau acts as the “agent” of the participating ISA by collecting the search fees on behalf of the ISA and reviewing the documentation submitted by the participating RO;
 - (b) the International Bureau agrees a timetable with each participating RO with regard to the date each month on which the RO must transfer the search fees to the International Bureau in order for those fees then to be transferred to the participating ISA concerned, and also agrees the currency for the transfer of the search fees;
 - (c) transactions not received by the agreed date are held by the International Bureau and transferred to the participating ISA in the following month.

15. Each RO invited to participate has the option either to agree to participate or to indicate that it prefers to continue dealing directly with the ISA. Once an RO agrees to participate, it is notified in writing of the banking instructions for the transfer of the fees and the mailing instructions for the submission of the documentation (electronic and, if required, in paper format).

UPDATE ON PARTICIPATION OF ISAs AND ROs

ISAs PARTICIPATING IN NETTING

16. In 2018, the EPO, the Japan Patent Office (JPO) and the Austrian Patent Office joined the netting pilot as both ISAs and ROs.

17. The netting pilot with the EPO became operational on April 1, 2018. Due to the large number of ROs that specify the EPO as a competent ISA, the EPO pilot has been implemented in a phased approach. Both ROs which collect the search fees for the benefit of the EPO as an ISA in a currency other than the euro and those that collect the fees in euro have been invited to participate. The pilot now includes 33 ROs that have specified the EPO as a competent ISA. All remaining ROs will be invited in 2019. In addition, the ongoing arrangement between the USPTO as RO, the EPO as ISA and the International Bureau referred to in paragraph 8, above, has continued.

18. A pilot with the JPO as ISA became operational on April 1, 2018. The pilot now includes four ROs that have specified the JPO as a competent ISA. Invitations to some other ROs which have specified the JPO as competent are in progress and all remaining ROs will be invited in 2019.

19. A pilot with the Austrian Patent Office as ISA became operational on August 1, 2018, and now includes six ROs that have specified the Austrian Patent Office as competent. Invitations to the remaining ROs are in progress and will be issued in 2019.

STATUS OF DISCUSSIONS ON PARTICIPATION OF OTHER ISAs

20. The International Bureau is currently holding discussions with the Korean Intellectual Property Office (KIPO) on its possible participation in the pilot as an ISA. As the Korean won (KRW) is not considered to be a convertible currency, the International Bureau has made arrangements with its banks to acquire sufficient KRW at a favorable exchange rate should KIPO decide to participate. This approach should significantly reduce the exchange rate risk to the International Bureau under PCT Rule 16.1(e). It should also reduce the work effort required by KIPO to prepare a claim for losses or gains due to exchange rates.

21. Furthermore, the International Bureau is working on arrangements to expand the netting pilot to include the USPTO, the China National Intellectual Property Administration (CNIPA) and the Russian Federal Service for Intellectual Property (Rospatent) as ISAs. Discussions also continue with the Israel Patent Office and Intellectual Property Office of Singapore (IPOS) on possible future participation, should required changes to ISA information systems and procedures be resolved. These arrangements will take into consideration the particular requirements of these Offices, both as ISAs and as ROs, along with currency restrictions and the type of international fees administered by each Office.

22. A proposal has also been submitted to the USPTO to collect ISA fees from ROs that have specified the USPTO as a competent ISA. The USPTO is already participating in the pilot as RO for ISA fees for transfer to the EPO and JPO. Invitations will be extended in 2019 to other ISAs that have expressed an interest in the netting pilot.

PARTICIPATION OF ROs

23. By the end of 2018, 33 ROs specifying one or more of the three participating ISAs as competent had joined the netting pilot. For those participating ROs, in 2018, almost all but a small number of transactions were submitted to the International Bureau by the agreed date in the relevant netting pilot.

24. Several ROs that were invited to participate in the netting pilot during 2018 have indicated that they are unable to participate due to internal regulations requiring that payment be made directly to the competent ISA. It is hoped that this issue can be addressed through amendments to the PCT Regulations and modifications to the Administrative Instructions, which will be proposed to the twelfth session of the PCT Working Group, scheduled to take place from June 11 to 14, 2019.

BENEFITS REALIZED TO DATE

25. No formal evaluation of the impact of the netting pilot has been conducted to date. However, based on a review of the results through to the end of February 2019 and discussions with participating ISAs, four areas of mutual benefit to participating ISAs and the International Bureau have been identified:

(a) The claims for reimbursement of foreign exchange gains and losses under PCT Rule 16.1(e) from participating ISAs have been reduced to negligible amounts. Through its centralized currency management, the International Bureau has also been able to take advantage of the more advantageous exchange rates offered by banks for converting larger tranches of currency.

(b) Verification by the International Bureau of the amount of fee paid and the status of the application has simplified the work effort of participating ISAs.

(c) The netting of the search fees due to each ISA against international filing fees and handling fees has had a positive impact on cash management, particularly important in this period of negative interest rates for Swiss francs. By grouping these fees into a consolidated single payment, participating ISAs account for only one monthly receipt or payment to or from the International Bureau, the elements of which are detailed in a netting statement available for confirmation by the ISA prior to the settlement date. The bank charges that would have been incurred using multiple transfers have been eliminated.

(d) ROs now have the option of submitting one payment combining search fees due to participating ISAs with international filing fees due to the International Bureau, thus reducing payments and bank transfer charges.

26. It is anticipated that an internal evaluation of the results will be completed in April 2019 when the expanded pilot will have been in operation for one full year. The results will be made available to the PCT Working Group at its twelfth session in June 2019.

27. At the time of writing of the present document, the internal evaluation of the pilot is ongoing. Should the evaluation confirm the positive findings of the preliminary review, the International Bureau intends to propose to the PCT Working Group, for consideration at its twelfth session, to implement netting as a permanent part of the PCT process, including consideration of potential technical improvements and legal and policy issues that would need to be addressed in order to allow participation by all Offices and PCT Contracting States.

ANCILLARY ISSUES TO BE ADDRESSED

28. Running the pilot has required additional time for staff at the International Bureau to check and resolve issues in the monthly netting exercise. It has been necessary to train the staff and to ensure that the pilot is run in a manner which allows a determination of whether the estimate that the benefits will outweigh the costs is correct. Particular attention is being given to the number and type of errors which occur and identifying ways in which these can be reduced or eliminated.

29. The efficient running of the pilot assumes that all participating ROs are able to deliver their application information/search fee and payment of fees to the International Bureau accurately and timely in a supported data format, including all the information required by the netting software and its related processes. This will require participating ROs to cooperate with IT changes (usually relatively minor) and staff training. At present, ROs are able to continue to submit their payments and application information/search fee to the International Bureau in the same format as had been sent to each participating ISA. However, the goal is for information to be submitted in a consistent XML format. Efforts to achieve this through the introduction of additional IT tools and through the use of ePCT are in progress.

30. Offices which have separate accounting systems and bank accounts for different purposes (for example, for patents and for trademarks) will need to consider whether procedures can be revised to allow net payments across the two systems to be paid to or from just one of those accounts.

31. The procedures will have consequential effects on accounting procedures for the PCT, Madrid and Hague Systems, which are being analyzed.

32. A variety of issues were examined in 2018, including optimizing the system for the key deliverable of minimizing the risks of exchange rate fluctuations. This has resulted in opening new bank accounts for the receipt of currencies for which WIPO currently has limited outgoings and arranging for the sale of these currencies to acquire currencies against which to net transactions. Previously, the International Bureau received PCT international filing fees in these currencies from the ROs into a Swiss franc account, which were thus not converted at preferential exchange rates. By receiving international filing fees and search fees in accounts based on each currency and then converting the unused balance to a currency needed to meet outgoing requirements, cash management has been enhanced and better exchange rates have been achieved.

33. The following decision paragraph is proposed.

34. The Program and Budget Committee is invited to take note of the contents of the present document (WO/PBC/29/INF/2).

[Annexes follow]

ANNEX I – EXTRACT FROM THE REPORT OF THE 10TH SESSION OF THE PCT WORKING GROUP (PCT/WG/10/25)

(...)

PROGRESS REPORT: POSSIBLE MEASURES TO REDUCE EXPOSURE OF PCT FEE INCOME TO MOVEMENTS IN CURRENCY EXCHANGE RATES THROUGH NETTING

50. Discussions were based on document PCT/WG/10/6.

51. The Secretariat introduced the document, which presented an update on the possible introduction of a netting structure for all PCT fee transactions. This idea had been first presented to the Working Group in 2015 (see paragraph 7 of document PCT/WG/8/15) as part of a set of recommendations from a firm of treasury consultants who had been engaged to review aspects of WIPO's asset management, most notably its exposure to foreign exchange. The basic idea was to set up a netting structure for PCT fee transactions between receiving Offices, International Searching Authorities and the International Bureau by consolidating all the transactions between participants and calculating a net settlement, usually a single payment or receipt. A receiving Office would therefore send to the International Bureau not only the international filing fees collected but also the search fees. The International Bureau would then collect together the search fees received from several receiving Offices for a particular International Searching Authority, and pass them to the Authority concerned as one payment. This would reduce the number of transfers as both receiving Offices and International Searching Authorities would only need to deal with transfers to and from the International Bureau. Moreover, the International Searching Authorities would receive the full search fee in the fixed currency, and therefore would no longer need to claim for any losses incurred due to exchange rate fluctuations under Rule 16.1(e). Where a receiving Office was also an International Searching Authority, the Office and the International Bureau would exchange information on the fees collected as the receiving Office and the search fees payable by the International Bureau representing the amounts collected from other receiving Offices. The international filing fees and search fees would then be netted, with the result being that either the receiving Office would pay the International Bureau in its local currency, that is if this is freely convertible into Swiss francs, or otherwise in Swiss francs, euros or United States dollars, or if a net amount was due to the receiving Office, the International Bureau would transfer the net amount due in the currency in which the Authority had fixed the search fee. As the document indicated, an analysis of the implications of setting up a netting structure was currently ongoing. The International Bureau had undertaken a request for proposal (RFP) in order to select the netting software needed to operate the structure. A supplier had been recommended, and the International Bureau was in the process of negotiating a contract. The International Bureau was hopeful that tests could be performed using data from 2016 in the second quarter of 2017 to analyze the impact of netting. The International Bureau then intended to invite a few Offices that acted as both a receiving Office and an International Searching Authority and had a high volume of PCT fee transfers to participate in a netting pilot in a test environment in the third quarter of 2017. This pilot would involve both filing fees and search fees. If the pilot were successful, a proposal would then be made to the Working Group to extend the approach to as many Offices as possible. In addition, the International Bureau was also interested in including the distribution payments in the Madrid and Hague Systems in order to reduce the amount of currency conversions involved with these payments, and would consult with the Madrid and Hague Unions on an expanded netting process in the event of a successful pilot.

52. The Delegation of Israel supported the proposal to introduce a netting structure for the transfer of fees, but it would be necessary for Israel Patent Office to have sufficient time to prepare its IT systems to receive and transmit fees in accordance with the proposed netting mechanism. At present, the Israel Patent Office would need to consider this matter carefully, as not only the search process was being triggered by the receipt of the search fee, but other tasks

and actions were based on this mechanism. A centralized payment mechanism would require fundamental changes in system and work procedures at the Israel Patent Office.

53. The Delegation of the United States of America expressed general support for possible approaches to reduce the losses in income incurred by WIPO due to exchange rate fluctuations and it looked forward to reviewing these issues with the benefit of the detailed analysis by the consultant, as referred to in paragraph 11 of the document, in order to understand better the details of how the netting proposal would work. The Delegation still had concerns about the proposal for the netting structure, which could result in additional work for receiving Offices and impose extra burden on Offices in their various capacities under the PCT. The Delegation nevertheless supported the pilot project that the International Bureau intended to start later in 2017 to test the software and the methods for implementing a possible netting structure, and if asked, the United States Patent and Trademark Office would be willing to participate. The Delegation further stated that any netting scheme for PCT fees would have to ensure transparency of all transactions and participation should be voluntary given that financial and IT systems at some Offices might not be compatible with conducting the required operations.

54. The Delegation of the European Patent Office highlighted the positive experience with the pilot where it received the search fee from the International Bureau in euros for applications received at the United States Patent and Trademark Office for which it acted as the International Searching Authority. The Delegation therefore welcomed the opportunity to work in collaboration with the International Bureau in order to launch another pilot scheme involving search fee transfers in order to develop a more effective system for all Offices. Reducing the costs of financial transactions was appreciated by the European Patent Office on the condition that the system of monthly transactions functioned correctly, which required the parties to make their transactions within the necessary time frame, and to use the appropriate electronic tools to exchange information. The Delegation expressed interest in having further information, for instance, in a financial impact study, on the exchange rate costs described in paragraph 17 of the document. The Delegation underlined an advantage in linking netting structure with the eSearchCopy service, with the International Bureau acting as a hub for search copies and fees, which would make the system more effective for International Searching Authorities. Finally, in the future, the Delegation hoped that amendments could be made to the PCT Regulations to make it possible for receiving Offices to transfer the search fees to International Searching Authorities via the International Bureau when the payment currency was not the same as that fixed by the International Searching Authority.

55. The Delegation of China supported the proposal to commence a pilot project for the netting of search fees and international filing fees. The Delegation proposed that the pilot project should include different International Searching Authorities to make the procedure of collecting and transferring fees more cost effective.

56. The Delegation of Japan expressed interest in the Japan Patent Office joining the pilot for the netting of fees and requested more details about its implementation in order to study the arrangements and identify possible issues that could arise from participating in a netting scheme. As for the agreement with the International Bureau to change the route for transferring search fees indicated in paragraph 14 of the document, the Delegation requested the International Bureau to present an expected agreement between the various pairs of Offices that would participate in the pilot.

57. The Delegation of Chile supported the proposal, which would be useful for making efficiency gains in relation to transactions between Offices.

58. The Secretariat indicated that it would prepare a model agreement as requested by the Delegation of Japan and circulate this among members of the Working Group. The Secretariat would also be willing to discuss the problems related to participation in the pilot that delegations

had indicated. Delegations from certain Offices would also be approached to invite them to participate in the netting pilot project.

59. The Working Group noted the contents of document PCT/WG/10/6 and invited the International Bureau to prepare a draft model agreement for use by all participating receiving Offices and International Authorities.

(...)

[Annex II follows]

ANNEX II – EXTRACT FROM THE REPORT OF THE 11TH SESSION OF THE PCT WORKING GROUP (PCT/WG/11/27)

(...)

PROGRESS REPORT: POSSIBLE MEASURES TO REDUCE EXPOSURE OF PCT FEE INCOME TO MOVEMENTS IN CURRENCY EXCHANGE RATES THROUGH NETTING

142. Discussions were based on document PCT/WG/11/4 and a presentation given by the Secretariat³.

143. The Delegation of Israel supported the general concept of proposal to introduce a netting structure for the transfer of fees and continued to see benefits in netting. While the main purpose of netting was to improve cash flow management by the International Bureau and the participating Offices by reducing the risk to exchange rate fluctuations, the Delegation highlighted the benefit from improved transfer of data between receiving Offices and International Authorities as the International Bureau would be reviewing all the data received from the receiving Office to ensure completeness and accuracy before being transferred to the International Searching Authority. In view of the necessary modifications to IT systems and in order to synchronize transactions, in the initial stage, the ILPO had joined the pilot as a receiving Office only. With effect from May 1, 2018, search fees collected by the ILPO, in its capacity as a receiving Office, for the EPO as the International Searching Authority, were sent via the International Bureau. Under this scheme, fees collected in May 2018 were transferred at the beginning of June. In the coming months, the ILPO planned to join the pilot as an International Searching Authority. With regard to expanding the netting project, since the ILPO had separate bank accounts and accounting systems for patents and for trademarks, the ILPO would not be able to expand the netting process to include all transfers of different funds to and from the International Bureau. Participation by the ILPO in the netting pilot would therefore be limited to PCT fees.

144. The Delegation of the United States of America expressed general support for possible approaches to reduce the losses in income incurred by WIPO due to exchange rate fluctuations and was pleased with the participation of the USPTO in the netting scheme pilot as the receiving Office for transferring search fees to the EPO as the International Searching Authority via the International Bureau. The Delegation also hoped that it would soon be able to confirm participation of the USPTO in a similar pilot involving the JPO as the International Searching Authority, which it had recently been invited to join. The Delegation expressed interest in learning more about the participation in the netting pilot from the perspective of an International Searching Authority, where it wished to review the Memorandum of Understanding and other information for participating International Searching Authorities prepared by the International Bureau. The Delegation nevertheless had some concerns about expanding the netting structure to include all transactions involving the International Bureau, including the Madrid and Hague Systems. It was also essential to ensure transparency of all transactions with participation in any netting scheme proposed by the International Bureau needing to be voluntary given that financial and IT systems at some Offices might not be compatible with conducting the required operations and could require considerable time to implement any necessary changes.

145. The Delegation of the European Patent Office stated that the netting pilot was working well with the EPO receiving reliable data from the International Bureau concerning search fees that had been received at the 10 receiving Offices that had joined the pilot with the EPO as the International Searching Authority. The Delegation therefore encouraged other Offices to participate in the netting system and was pleased that the International Bureau had planned to

³ The presentation is available on the WIPO website at https://www.wipo.int/meetings/en/pct_wg_11_netting.

invite all receiving Offices that specify the EPO as a competent International Searching Authority to join the pilot by February 2019, including those whose prescribed currency was euros. The Delegation enquired whether it would be possible in the future for all receiving Offices to use the same file format and file type for their search information, and if the International Bureau could send the EPO only one file for all participating receiving Offices, instead of separate files for each Office. In addition, the EPO looked forward to the pilot being linked with the eSearchCopy service, which would ensure that search fees related to search copies sent through the eSearchCopy service would be transferred to the International Searching Authority through this service, irrespective of whether the International Bureau had yet received the payment from the receiving Office.

146. The Delegation of Denmark stated that the DKTPO was one of the receiving Offices participating in the netting pilot involving the EPO as the International Searching Authority. The Delegation considered that the pilot was straightforward to manage and it hoped it would prove useful and enable it to be rolled out to more Offices given that it simplified the handling of translations to the benefit of International Authorities.

147. The Delegation of Japan expressed its appreciation to the International Bureau for its continued efforts in implementing the netting arrangement for PCT fee transactions in order to reduce the risks from fluctuating exchange rates and the transaction costs under the PCT System. As stated in paragraph 16 of the document, the JPO had started a pilot program for netting of PCT Fees on April 1, 2018, and the Delegation looked forward to sharing its experience with the pilot. The Delegation also looked forward to expanding the netting arrangements and establishing a framework for netting. Furthermore, the Delegation hoped that all receiving Offices for which the JPO served as a competent International Searching Authority would participate in the netting pilot.

148. The Delegation of Singapore welcomed the netting framework as it reduced the inherent risk of International Searching and Preliminary Examining Authorities to the exposure to PCT fee income due to fluctuations in currency exchange rates. The efforts of the International Bureau establish the pilot along with the implementation of the software to manage translations would serve to facilitate the transition for Offices that decided to embark on netting. On that note, the Delegation supported the centralization of fee payments in the future and looked forward to the envisaged benefits it would bring.

149. The Delegation of the United Kingdom supported the netting pilot and had participated as a receiving Office since April 1, 2018. The Delegation underscored the importance of Offices doing all they could to help mitigate the potential risks that movements in exchange rates could pose to the finances of the International Bureau. However, before taking any decisions about expanding the pilot to the Madrid and Hague Systems, the Delegation believed that a full review of its effectiveness should take place. Furthermore, the Delegation would also require time to assess the effect on its IT and finance systems of extending the pilot.

150. The Delegation of China was pleased that the beginning of the netting pilot had been successful and it supported the further rolling out of the pilot to other Offices and expansion to different transactions and additional currencies. As a result of the netting structure, fee transactions would be more straightforward, faster and more cost efficient for Offices. However, the Delegation highlighted that individual Offices had financial policies that would need to be taken into account in the netting pilot. SIPO acted as both a receiving Office as well as an International Searching Authority for other receiving Offices so under the netting arrangements, it would make payments and receive monies from the International Bureau. However, currency management policy in China prevented parallel payments being crossed.

151. The Delegation of India supported and appreciated measures adopted by WIPO to reduce exposure of PCT fee income to exchange rate fluctuations through netting. As a receiving

Office, the Indian Patent Office was participating in the netting pilot with the EPO from April 1, 2018. The Indian Patent Office, in its capacity as a receiving Office, had also agreed to join the pilot with the Austrian Patent Office which was expected to start in August 2018.

152. The Delegation of Australia thanked the International Bureau for the detailed information and the invitation to join the pilot, where it saw potential for participation by IP Australia. As well as the netting pilot, the Delegation believed that there was merit in investigating improvements to ePCT in this area. For example, ePCT could be used to collect the fee with the customer paying directly to the beneficiary Office in the required currency and amount at the time of the action before the Office, for example for lack of unity fees. This would remove the risk to the International Bureau between the action and the time of making the payment to the International Searching Authority.

153. The Chair summarized that there was strong support from delegations for the netting pilot and for more Offices to join the pilot, but some reservations about expanding netting to cover fees from other global IP systems at WIPO such as Madrid and Hague Systems.

154. The Working Group noted the contents of document PCT/WG/11/4.

(...)

[End of Annex II and of document]