



I Meeting of Heads of Financial Market Infrastructures

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Session 3. Cross-border payments in
perspective: the industry view

Context

- The cross-border payments industry is as large as USD150tn and it has also grown during the pandemic, especially the remittances category which has recorded a 15% growth rate compared to 2019 in many important corridors.
 - Yet, market gaps remain untouched.
- Despite technological advances, it can take up to 5 days to get money overseas. Price paid by households and businesses for such cross-border payment can cost up to 10%.
 - CSM for cross-border payments using a correspondent banking channel requires the coordination of a network of agents operating under unlevelled regulation and business models.
 - MTO have served many remittances corridors, but at the cost of a persistent low or inexistent bankarization.

Issues of concern

- Some of the most relevant pain points of the cross-border payments market relates to:
 - Low rate of STP (60% of cross-border business-to-business payments require manual intervention, each taking at least 15 to 20 minutes),
 - Delays in CSM (for instance, lacking a 24/7 operation of payment infrastructures to enable an “instant” communication), and
 - A complex mechanism to meet anti-money laundering and terrorism financing laws in each jurisdiction (which were heightened with stricter regulation like the Dodd-Frank Act).
- Better cross border payment systems and services would certainly improve the options for the most vulnerable groups of users, who disproportionately bear the cost of the current frictions
 - This requires improving the speed, costs and reliability of sending money out of the borders.
 - This is ultimately a coordination task.

Understanding the market

- What are the most significant (and challenging) gaps?
 - The lack of standards? The use of legacy platforms? The business models of international banks?
 - How such setbacks hamper improvements in the market?
- What type of payments infrastructure is needed to smooth the operation of a global/regional corridor(s) of cross-border payments?
 - RTGS connecting each other? Do we need a global infrastructure?

Addressing the shortcomings

- How frontier technologies can play a meaningful role in addressing current shortcomings?
 - Are DLT-based platforms better prepared to overcome access, costs and reliability challenges?
- Are new entrants (like Bigtechs) in best position to enhance the current arrangements?
 - How they should be embraced by international/domestic regulation? What would be the main difference between new and conventional schemes? Is it possible a new sort of public-private partnership?

Further challenges yet

- What practical coordination measures should be advanced?
 - Will it help to have a global ID system for retail cross-border payments? Do we need international standards (like harmonized ISO 20022 messaging)?
- Explore the potential role of new payment infrastructures and arrangements may not be top priority for the G20 action plan
 - Are they underestimating the potential of new business models?
- How do we work in the financial education of the most vulnerable groups of users?
 - Are mobile technologies the best option to promote a wider adoption? How we can work on self-exclusion?