Global action to enhance cross-border payments

The Silk Road Cash & Payments Conference

29 March 2023

Victoria Cleland
Executive Director Payments
The cross-border payments market is significant, and growing in importance in an ever more interconnected global economy.

The value of cross-border payments is forecast to increase from almost $150tr in 2017 to over $250tr by 2027.\(^1\)

Remittances to low and middle income countries are estimated to have increased 10.2% in 2021, and a further 4.9% in 2022 to reach $626bn.\(^4\)

Remittances inflows can be as high as 50% of GDP for some countries.\(^4\)

Global corporates move nearly $23.5tr across countries annually, equivalent to about 25% of global GDP.\(^2\)

87% of merchant executives see cross-border online sales as their biggest growth potential.\(^3\)
The G20 identified enhancing cross-border payments as a priority in 2020 and set out a Roadmap of actions.

**Challenges**

Many, but not all, cross-border payments face challenges:

- **High costs**: remittance payments can cost more than 10% of transfer value [5]
- **Slow speeds**: payments can take up to 10 days to transfer between some jurisdictions [6]
- **Limited Access**: 29% of adults in developing economies don’t have a financial account [7]
- **Insufficient transparency**: costs and speed are often not known upfront and payments cannot always be tracked

**Actions**

A number of Roadmap actions have already been met:

- Agreed **global quantitative targets** and an implementation approach to monitor progress in the speed, cost, access and transparency.
- **Stocktakes and analyses** of existing payments systems / arrangements to lay foundations for further work.
- Published **proposals, best practices, guidance and frameworks** across numerous wide-ranging building blocks.
In 2023, the Financial Stability Board announced an updated Roadmap of priority actions to help meet the Targets by 2027.

### Payment system interoperability and extension
- Central bank operators’ community of practice
- Faster payment system interlinking across borders
- Cross-border payments service level agreements / schemes

### Legal, regulatory and supervisory frameworks
- Bank/non-bank regulation and supervision
- Information to end-users
- Anti Money Laundering (AML) and Combatting the Financing of Terrorism (CFT) application

### Data exchange and message standards
- Interaction with data frameworks
- ISO 20022 harmonisation requirements
- Application Programming Interface harmonisation
- Legal Entity Identifier use

**Actions being undertaken across all priority areas**
- Payments Summit
- Industry taskforces
- Monitoring and progress reporting
- Technical assistance
- Public sector outreach
Now is the time for public and private sector action to implement practical projects and changes to processes and approaches.

We need to work together globally to develop the vision and tools and domestically to determine where progress is needed and how best to implement it.

- Is there a case to expand the access to or operating hours of key payment systems?
- Are there opportunities for interlinking?
- Could we amend data standards / formats to better align internationally?
- How do our legal, regulatory and supervisory frameworks compare to others?

How can I help to achieve cheaper, faster, more accessible and more transparent cross border payments?
In the UK, the Bank of England is renewing the Real-time Gross Settlement (RTGS) service

- The new RTGS core ledger and settlement engine will be introduced in Summer 2024, with a strong focus on resilience, competition and innovation – and benefits to cross-border payments

**ISO 20022 adoption**
- CHAPS migrates to ISO20022 on 19 June 2023
- The Bank of England will mandate use of structured data from 2025

**Expanded Access**
- Making onboarding easier to increase access to new participants
- Policy changes to include Non Bank Payment Service Providers and Omnibus accounts, already made

**Enhanced user functionality e.g. APIs**
- Enhanced, more flexible functionality

**Capability to Extend Service Availability**
- Technical capability to support 22x5 operation with settlement windows on weekends, and no technical barriers to moving to near 24x7 operation in the future.

- The **Roadmap for RTGS beyond 2024** sets out further enhancements and a range of potential new features that could benefit cross-border payments (synchronisation, extended operating hours)
Annex
References


[6] FT Op-Ed by Jon Cunliffe, 13 July 2020. “Cross-border payment systems have been neglected for too long”

## Key Committee on Payments and Market Infrastructures (CPMI) and Financial Stability Board (FSB) documents and publications

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Date of Publication</th>
<th>Link</th>
</tr>
</thead>
</table>