G20 Roadmap to enhance cross-border payments: IIF industry position paper

IIF Cross-Border Payments Task Group report

August 22, 2022

1 Executive Summary

This paper sets out an industry position engaging with and responding to the G20's roadmap to enhance cross-border payments (**Roadmap**). After briefly outlining the Roadmap and targets that the official sector has set, the paper addresses important changes in the payments landscape since the Roadmap was adopted, as well as actions underway aligned to the Roadmap's four objectives of faster, cheaper, more transparent and more inclusive cross-border payments.

Next, the paper identifies key drivers of cross-border challenges around cost and speed, including fragmented anti-money laundering and countering the financing of terrorism (**AML/CFT**) regulation, the significant cost burden imposed on remittances that are cashed out instead of received digitally, and barriers to transparency and inclusiveness.

This analysis suggests a prioritization among the existing building blocks (**BBs**) in the Roadmap, emphasizing in particular the global and foundational BBs including the importance of official sector actions to address regulatory fragmentation. The paper highlights further work on AML/CFT, sanctions screening and capital controls, data messaging and digital trust, and the promotion of digital financial inclusion. The paper concludes by setting out some possible flanking measures or necessary preconditions to support the Roadmap and its objectives.

2 State of Play

2.1 The G20 Roadmap and targets

The Roadmap was endorsed by leaders of the G20 group of nations in November 2020.[1] The stated objectives are to "facilitate cheaper, faster, more inclusive and more transparent [cross-border] payment transactions, including for remittances."[2] The Roadmap sets out a detailed implementation plan and allocates actions to a range of international organizations and standard-setting bodies (**SSBs**), including the Financial Stability Board (**FSB**) and Committee on Payments and Market Infrastructures (**CPMI**), in partnership with the private sector as well as national/regional authorities.

[1] See FSB (2020), Enhancing Cross-border Payments: Stage 3 roadmap, 13 October

[2] G20 (2020), Leaders' Declaration, G20 Riyadh Summit, November 21-22, para. 17.

The actions are arranged into 5 focus areas and 19 BBs; see **Annex 1**. The Roadmap contains detailed timelines across the range of topics dealt with out to 2024. The Roadmap is being kept under review and timelines are also subject to change. The Roadmap places emphasis on **collaboration and consultation** between the official and private sectors.

The FSB has set out finalized targets for the four objectives of the Roadmap, following a public consultation to which the IIF contributed.[3] The targets (see **Annex 2**) cover cost, speed, inclusion and transparency of cross-border payments in three market segments: remittances, other retail payments, and wholesale payments. These system-wide targets have been set with end-2027 as the target achievement date, and end-2030 for the existing UN SDG cost target for remittances.

The IIF has been involved in considerable engagement with the FSB, CPMI and other SSBs, as well as national authorities, relating to the Roadmap and the targets, as set out in **Annex 3**.

2.2 The changed payments landscape

Since the adoption of the Roadmap, the security and geopolitical environment has deteriorated sharply in the wake of the war in Ukraine, with major effects for the international payments system, including through the expulsion from SWIFT of several Russian banks and the imposition of sweeping sanctions on Russian individuals and businesses.

The present situation demands that the security and integrity of payments be recognized as the overriding objective. Doing so suggests that the existing objectives of the Roadmap, which are overwhelmingly consumer-facing issues, be amended to reflect this new reality. Targets should be adjusted accordingly, acknowledging the trade-offs of security and integrity with cost and speed, in particular.[4]

2.3 Actions underway for better cross-border payments

There is intense innovation in cross-border payments (and payments generally) already underway, amid renewal in existing payment infrastructure and the advent of competition from new entrants, including paytechs. The following key private sector or public-private partnership (**PPP**) initiatives are aligned with the overall Roadmap objectives of improving the speed, cost, inclusiveness and transparency of cross-border payments.

- SWIFT gpi, launched in 2017, which has already improved the experience of making a payment via the SWIFT network for both customers and banks. SWIFT gpi combines the traditional SWIFT messaging and banking system with a new set of rules and improves transparency and traceability for payments;

---

[3] FSB (2021), G20 Roadmap for Enhancing Cross-border Payments: First consolidated progress report, 13 October.

[4] The IIF is concerned that trades-offs among the objectives of the Roadmap have not been adequately articulated or explored, and that, because different user types will have different preferences around these and other trade-offs, encourages the official sector to avoid foreclosing informed user choices through the targets. We also consider there are trade-offs between cost and other foundational elements of cross-border payments, and payment systems generally, such as security, stability, reliability, liquidity, robustness, privacy, cybersecurity, finality, fraud protection, dispute resolution, etc. See IIF (2021), Targets for addressing the four challenges of cross-border payments, submission to FSB, July 15.

- SWIFT GO, a service whereby FIs can enable their SME and retail customers to send predictable, fast, highly secure, and competitively priced low-value cross-border payments anywhere in the world, direct from their bank accounts;
- the continuing roll-out of ISO 20022 messaging in the payments space, including ongoing efforts to improve the alignment of implementation. For example, large market infrastructures will migrate to ISO 20022 over the coming years including Target2 and EURO1 in November 2022, and SWIFT has announced plans to replace three of its current message categories (MTs 1, 2 and 9) with ISO 20022 messages for cross-border payments, to be phased in from November 2022 to 2025;[5]
- global card networks continuing to innovate, including by supporting broader money movement use cases outside of core C2B card payments by providing competitively priced push-payment capabilities (i.e. credit transactions) that support real-time and same-day delivery for cross-border transactions directly to card accounts and bank accounts;[6]
- the continuing roll-out of faster payment[7] schemes globally, and accelerating initiatives to directly connect faster payments schemes, both bilaterally (such as the recent PayNow–PromptPay link between Singapore and Thailand), plurilaterally (such as the coming Singapore–Thailand–Malaysia link), and multilaterally (such as the work of BIS Innovation Hub's Project Nexus);
- initiatives to introduce digital identity schemes and digital verifiable credentials schemes domestically and across borders, such as the IIF's Open Digital Trust Initiative and the Global Assured Identity Network proof of concept;
- P27, a joint initiative by Danske Bank, Handelsbanken, Nordea, OP Financial Group, SEB and Swedbank, aims to build the world's first real-time, cross-border payment system in multiple currencies, exploring the possibility of establishing a pan-Nordic payment infrastructure for domestic and cross-border payments in the Nordic currencies and the euro;
- the Immediate Cross-Border Payments (**IXB**) initiative connecting EBA Clearing's RT1 euro faster payment system via SWIFT with The Clearing House's faster payment system; and
- the advent of increasing competition from paytechs in the cross-border payments space, including those exploiting a multilateral netting model.

As a result, the pace of change is high with improvements in speed, cost, transparency and innovation. The direction of travel is positive, particularly in the more liquid corridors, and for both individuals and for corporate customers, who may benefit from dedicated cross-border financial services as part of their service agreements.

---

[5] It is expected that adoption of standard ISO 20022 messages will contribute to the G20 roadmap objectives by requiring more standardized data, which in turn will enhance compliance operations and increase the speed of payments.

[6] In general, card network push-payment services provide a single access point with the ability to deliver funds globally to hundreds of countries and transaction currencies by connecting to retail payment systems, other card-based networks, and gateways.

[7] See CPMI (2021), Developments in retail fast payments and implications for RTGS systems, December and CPMI (2016), Fast payments - Enhancing the speed and availability of retail payments, November

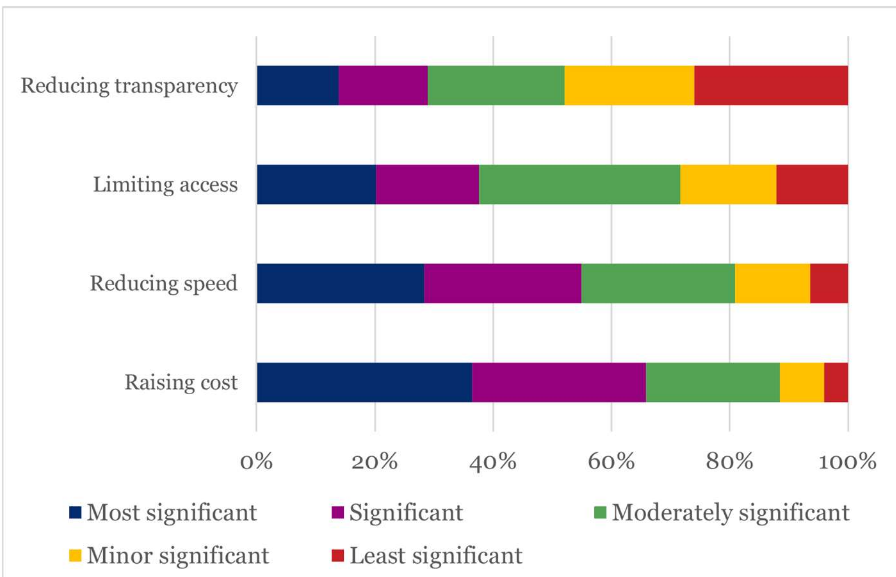
3 Drivers of cross-border challenges

3.1 Drivers of cross-border challenges: cost and speed

3.1.1 FATF study of AML/CFT regulation

For cross-border payments generally, including remittances, AML/CFT regulation and related regulatory fragmentation, are key drivers of cost, speed and other blockages for cross-border payments, as shown in the Financial Action Task Force (**FATF**) October 2021 survey report on this topic.[8] Of the 173 banks, payment service providers and other private sector institutions that responded, over 65% felt that divergent AML/CFT rules were either "most significant" or "significant" in raising cost, and around 55% felt the same with regard to reducing speed. By contrast, the most common answer for "limiting access" was "moderately significant", while for reducing transparency it was "least significant" (see **Graph 1**).

Graph 1: Contribution of divergent AML/CFT requirements to challenges



Source: FATF (2021) (see footnote 8.)

The key points reported by respondents to the FATF as divergencies that drive costs higher and speeds lower include:[9]

- **Data inconsistencies:** Many respondents cited inconsistent customer onboarding and customer due diligence (**CDD**) obligations as the biggest factor contributing to increased costs and reduced speed. For example, in some jurisdictions, it is common to register a customer with his or her last name and the initials of their first name. Other jurisdictions, however, require the full first name. Varied approaches to, and wide interpretation of,

[8] FATF (2021), Cross-Border Payments: Survey Results on Implementation of the FATF Standards, October
[9] FATF (2021), *op. cit.,* pp. 11-12.

certain FATF Standards by different jurisdictions often result in obtaining conflicting information that needs to be reconciled through intensive manual processes and expert interpretation.

- **Manual processing:** Many respondents highlighted that cost and speed of cross-border payments processing are adversely affected due to manual processes and the increased use of Requests for Information (**RFI**) seeking information not included in the original payment order. A transaction processed with the appropriate data on the sender and/or receiver takes between 1-5 minutes to review when it generates a hit or an alert, against 2-5 days when it requires an RFI.

- **Technology costs:** Many respondents indicated that generally, the complexity of divergent AML/CFT rules leads to increased costs in system development, monitoring, and education. Several respondents highlighted the technological costs associated with the need to incorporate high-end technology and surveillance solutions that can build in all requirements from different jurisdictions. Changing regulations frequently also increases costs because new requirements mean financial institutions may need to invest in new or revised processes, technology, or training.

- **Process inefficiencies:** Many respondents indicated that the complexity of divergent AML/CFT rules also adds to costs and delays by reducing the scope both for process consolidation within financial groups and for reliance between different financial entities. Implementation of AML/CFT regulatory requirements at the settlement level often slows the process down, where additional documentation (e.g. tax ID) is required.

- **Sanctions screening:** Many respondents have highlighted sanctions screening and transaction monitoring as one of the most significant cost elements, where there are widely differing requirements, expectations, and complexity between different jurisdictions. Cross-border payments are viewed as higher risk transactions due to their potential use in ML/TF, as well as the possibility that they will transit a sanctioned country. Payments are scrutinized repeatedly at each step in the payment chain in part because of the inability by each party to apply reliance on each other.

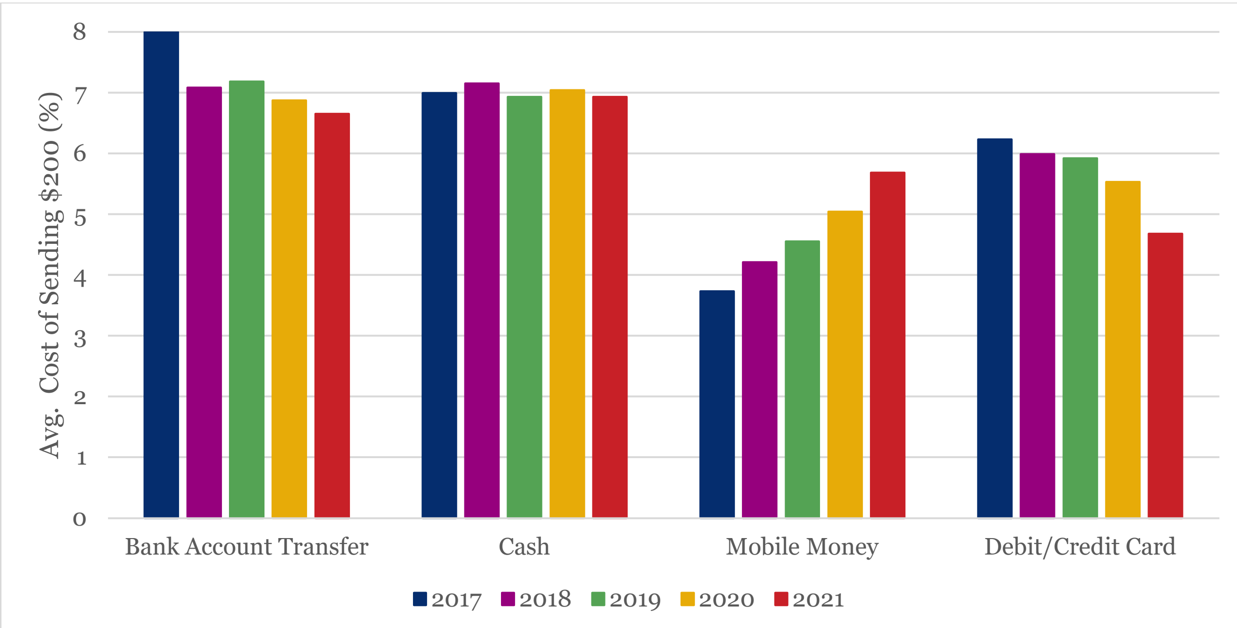
3.1.2 Drivers of cost in the remittance space

Visa Economic Empowerment Institute (**VEEI**) studies of remittances (2021 and forthcoming) find that cashing out is a crucial cost driver for remittances. The majority of digital remittances in 2021 were still picked up in cash, adding between 100 and 300 basis points to the cost of a remittance, depending on the money transfer organization (MTO) and the corridor. Most MTOs did not explicitly charge for the cash pickup of a remittance initiated with debit/credit, so all sending customers were bearing the costs in these cases.[10]

[10] See VEEI (2021), The rise of digital remittances: How innovation is improving global money movement, at p. 8 and p. 31.

There are also clear trends mapped by the VEEI, based on World Bank Group data, showing declines in remittance cost trends across most funding methods, with falls steepest in debit/credit cards and bank account transfers (see **Graph 4**.) [11]

Graph 2: Remittance cost trends by funding method



Source: World Bank, [Remittance Prices Worldwide Quarterly](), Q4, 2021

There are also large and increasing differences between best and worst cost outcomes in individual corridors, possibly reflecting differential access to means of "shopping around" digitally such as smartphones and non-cash funding mechanisms. The average cost of a $200 remittance in the 25 corridors fell from 4.24 percent (2021) to 3.89 percent (2022), while the best cost was under 3 percent in 20 of 25 corridors in 2022. [12]

3.1.3 CPMI - SWIFT gpi study on speed bumps

The CPMI recently published an analysis of SWIFT gpi data, seeking to map the speed of cross-border payments and identify drivers of slower payments. The CPMI found:

- The speed of cross-border payments on SWIFT gpi is generally high with a **median**

[11] The cost of remittances is calculated as the simple average total cost for sending $200 or $500 (and their equivalents) through remittance service providers, as captured by the World Bank Remittances Prices Worldwide database. The total cost charged by a provider includes the remittance transfer fee and, importantly, the foreign exchange rate applied by the remittance service provider. Source: VEEI (2021), *op. cit.*

[12] The Global SmaRT Average for Q4 2021 was recorded at 3.50 percent, while the average of the "worst" costs in each corridor was 6.15 percent in 2021, and 7.09 percent in 2022. This reflects that the best-to-worst cost spreads generally increased among MTOs in the 25 corridors studied. Sources: VEEI (2022, forthcoming) and World Bank Group.

processing time of less than two hours.[13]

- However, **payment speeds vary markedly** across end-to-end payment routes from a median of less than five minutes on the fastest routes to more than two days on several of the slowest routes.
- Prolonged processing times are **largely driven by time spent at the beneficiary bank** from when it receives the payment instruction until it credits the end customer's account.
- Longer processing times tend to occur in **low and lower-middle income countries**, which can be partly attributed to **capital controls** and related compliance processes, **weak competition** as measured by the number of banks, as well as **limited operating hours** of and the use of batch processing by beneficiary banks.
- Cross-border payments on SWIFT involve, on average, just over one intermediary between the originator and beneficiary banks. **Each additional intermediary prolongs payment time to a limited extent**, while the size of time zone differences between banks has no discernible effect on speed. [14]

Anecdotal IIF member evidence suggests that delays in SWIFT gpi payments are due to inquiries (requests for information or **RFIs**), which often can be tied back to data quality issues. As the FATF Survey reported, each RFI typically slows down the payment by 2 – 5 days due to the need to await a response. Such responses are normally manually generated, with possible follow-up. Initiatives such as SWIFT's implementation of standardized ISO 20022 messages are expected to improve average speed of cross-border payments, including by reducing RFIs and payment fails. As seen below, pre-validation and cross-validation are also key to improving data quality.

3.2 Barriers to transparency and inclusiveness

The key points reported by respondents to the FATF survey as AML/CFT considerations that can limit or reduce the transparency and inclusiveness of cross-border payments include:

- Many respondents noted that AML/CFT regulations increase transparency because they require more information to be contained in a cross-border payment message. However, according to them, this information does not often get carried over into local clearing systems in some destination jurisdictions.
- An inability to view the full path of a payment and the underlying risks take away from correspondent banking the key element of trust.
- Requirements to obtain all KYC documentation without linking these requirements to considerations around the relevant ML/TF risks not only add to cost, but often reduce access for those unable to produce the necessary documentation.

Respondents noted that whereas the FATF Recommendations create a common baseline to which financial institutions should comply, some jurisdictions habitually **"gold-plate"** additional requirements. One such example would be a requirement to conduct AML/CFT monitoring of all

[13] Statistics were reported as measured by transactions, not by value.
[14] CPMI (2022a), SWIFT gpi data indicate drivers of fast cross-border payments, 8 February

transactions of clients based in or undertaken from and to a high-risk third country prior to execution, rather than post-facto. [15]

4 Suggested elements of a "no regrets" agenda building on the Roadmap

In this section, we first suggest criteria for prioritizing the Roadmap BBs, and draw some consequences in that regard. We next set out elements of a "no regrets" agenda for cross-border payments. While some elements correspond directly with existing BBs, others suggest action may be needed beyond the Roadmap. Some elements of this agenda would require the intervention of governments or actors beyond financial regulators to deliver.

4.1 Prioritizing the Roadmap building blocks

IIF members report that interactions with regulators indicate a degree of 'reform fatigue' may be apparent around the Roadmap. More specifically, the number and breadth of the BBs may make it hard for the official sector, and more particularly the private sector actors essential to making progress on the ground, to allocate resources efficiently across such an ambitious agenda while also making progress on industry initiatives that can help deliver those objectives.

Given how dramatically the world has changed since the targets were first announced through geopolitical and inflationary pressures, we understand that the official sector may be considering the question of prioritization among BBs.

As for criteria for prioritizing the Roadmap BBs and actions, we suggest triaging each BB/action in terms of the extent to which it:

- is on the critical path for the Roadmap by reason of it enabling or being essential for other BBs to make progress:
- has global impact;[16]
- can be directly linked to large deltas in the measures around the Roadmap objectives, e.g. by addressing major blockers that have been identified by industry or by SSBs, such as regulatory fragmentation or divergent implementation of international standards;
- enables/supports elements of a "no regrets" agenda for payments; and
- addresses the basic risks associated with payments including credit risk, liquidity risk, operational risk, and regulatory/legal risk.

In our view, this leads to a need to prioritise the following BBs:

---

[15] FATF (2021), *op. cit.*, pp. 12-13.
[16] The above is intended as a multi-factorial analysis rather than a set of conditions all of which must be met. For example, there may be country-specific measures that may be needed to address local or regional conditions in pursuance of the Roadmap objectives.

- BBs 1, 2 and 4, as they provide a global framework to support consistency of delivery, measurement of BBs and 'last mile' delivery; while our members support the vision of BB 1, we continue to have concerns with the targets, as set out in our July 16, 2021 submission and subsequent comment letters;

- BBs 5 (apply AML/CFT consistently and comprehensively) and 14 (adopt a harmonized version of ISO 20022 for message formats), which address key barriers to STP, improvement in which will drive towards achieving cost and speed targets.[17] Without addressing these consistently at a global level, other BBs will not achieve their full potential; and

- BBs 6; 9; 10; 12 and 13. These are priority BBs which for specific countries/regions solve specific barriers preventing achievement of the overall targets.

4.2 Applying AML/CFT rules consistently and comprehensively (BB 5)

As pointed out in section 3.1.1, misalignments in AML/CFT requirements were considered to be very significant or significant cost drivers and speed blockers by industry respondents to the FATF's survey on this topic. FATF has acknowledged that

> *Responses received from participants seem to indicate that divergent AML/CFT requirements could be contributing significantly to challenges for cross-border payments.*

FATF noted a number of recommendations (which the IIF generally supports) proposed by survey respondents in its 2021 report.[18] Some of the key themes that emerged include:

- **Data harmonization:** recommendations including key ones such as Recommendation 16 (Wire Transfers) suffer from a lack of detailed guidance from FATF on the data fields that should be collected in order to meet the standard; this gap is seen throughout the Recommendations, and affects for example the data points that must be captured to enable the one-time collection of identity information from clients.

- **Data standardization:** FATF could develop standardization mandates for ISO, similarly to the way the FSB has done around OTC derivatives trade reporting and the Legal Entity Identifier, in order to achieve standardization of field formats at an operational level below harmonization.[19]

- **Data sharing**: given that, as FATF has noted, data localization and inconsistent interpretation or application of data protection and privacy laws and their interaction with AML/CFT laws are key points of concern, FATF members should redouble efforts to coordinate between AML/CFT requirements and supervision with data protection and privacy rules and other similar provisions (e.g. data security/localization), as required by Recommendation 2. In doing so, they should work to create suitable standardized

---

[17] In the cards space, there are other ISO and industry standards that are relevant.
[18] FATF (2021), *op. cit.*, section 5, p. 32 ff.
[19] See ISO 4914:2021(en), Financial services — Unique product identifier (UPI); ISO 17442-1:2020 - Financial services — Legal entity identifier (LEI) — Part 1: Assignment; and ISO 23897:2020 - Financial services — Unique transaction identifier (UTI).

gateways to enable the sharing of information for AML/CFT compliance and reporting purposes, as advocated by the IIF to the FSB.[20]

- **Gold-plating:** reducing the number of requirements that FATF members add on to FATF minimum standards. This could be addressed through a notification regime (where add-ons are notified to FATF, with a justification) or through the greater use of "maximum harmonizing" standards, familiar from EU decision-making, as well as by the more rigorous use of the risk-based approach mentioned by respondents to FATF's survey.[21]

More ambitious changes still would see:

- **Peer review of key cross-border corridors:** FATF could prioritize key cross-border corridors for targeted dual- or multi-country (thematic) peer reviews, within the overall framework of its Mutual Evaluation Process.

- **Multi-speed:** Consideration could be given to more advanced economies within FATF's broader membership working together on more detailed implementation issues.

FATF did not, however, propose a new workstream to take forward these suggestions, instead proposing that it would

> *take a holistic view on the challenges identified, including through ongoing dialogue and engagement with the private sector in order to identify potential solutions. This should include consideration of the related previous and ongoing work of the FATF, and the work being pursued by other international organisations, in order to ensure synergy and avoid duplication.*

We understand that many of the issues raised by the FATF are being taken forward in other FATF workstreams, most notably through the FATF's Digital Transformation Work Stream and its recent report on Data Protection, Technology and Private Sector Information Sharing.

In the IIF's view, however, a closer link should be made between the work underway at the FATF that supports the building blocks of the Roadmap and ensuring this work addresses all the concerns raised in the FATF's October 2021 survey. This would include a focus on the importance of gateways to allow cross-border data sharing and feedback loops between the public and the private sectors, along with ambitious targets on ensuring effective implementation of FATF standards in a globally consistent manner. Taken together, this will help the cross-border payments ecosystem meet the G20's targets.

Timing and targets in this work and other parts of the Roadmap should also reflect the foundational nature of this and other public sector action areas. They have important

---

[20] See IIF (2022b), Submission to FSB on data frameworks affecting cross-border payments, January 14, pl. 5. Increasing trends towards data localization present a fundamental barrier to the Roadmap's objective to achieve faster, cheaper, more transparent and more inclusive cross-border payments services, that are safe and secure. As pointed out in IIF (2019), Data Flows Across Borders, data localization requirements can bring "side effects for the financial system and the overall economy: they may increase IT and data complexity; undermine the risk management, cyber security and anti-money laundering practices of financial institutions; as well as reducing access to financial services and markets in some countries."
[21] FATF (2021), *op. cit.*, paragraph 100.

contributions to make in early stages that would allow the private sector to achieve results in other areas.

4.3 Alignment of regulatory and supervisory frameworks more broadly (BBs 1, 2 and 4)

Beyond AML/CFT, and the other areas for regulatory and supervisory alignment called out in the Roadmap, there are a number of other regulatory and supervisory misalignments that push costs higher and speed lower, also impacting inclusiveness and transparency. The most important of these are **sanctions screening** processes and **capital controls**.

Some of the recommendations industry stakeholders have put forward around **sanctions screening** processes are:

- development of best practices at a global level to ensure more consistent application of sanctions screening requirements across jurisdictions, potentially including best practices on issues such as complying with list-based sanctions and comprehensive sanctions, importance of a principles-based focus, screening of aliases, whitelisting of false positives and use of emerging technologies (e.g. machine learning) to reduce false positives;

- increased cooperation between regimes to standardize sanction list formats, the interpretation of contents, expected responses associated with listings, and list distribution approaches;

- increasing uniformity in the list entries and greater use of structured identifiers such as Legal Entity Identifiers (**LEIs**), Business Identifier Codes (BICs) and digital identities and linkage of list entries between UN and regional/national sanction lists in order to simplify the screening process and improve detection performance; and

- wider adoption of the LEI for entity client identification and identifying beneficiary and originator in payment messages in order to support widespread interoperability between systems and reduce costs and increase precision and transparency.[22]

Capital control measures are typically driven by domestic political objectives. Whilst they will continue to challenge the objectives to improve cross-border payments, and the prospects for harmonization of whether to impose them and in what way appear challenging, consistency across regulatory regimes is required to deliver transparency targets and ensure that the targets are measured in a comparable way. Similar to sanctions screening, there could be efforts made to improve the harmonization and standardization of the data elements used to enforce these regimes.

Given that FATF takes the view that its mandate is limited to implementation of United Nations sanctions, and these matters are chiefly raised by disparate national sanctions regimes, the FSB is urged to identify an SSB ready, willing, and able to take forward addressing these tasks.

---

[22] FATF (2021), *op. cit.,* p. 34.

4.4 Further standardization around ISO 20022 messaging (BB 14)

Friction in the payment process due to inconsistencies in payment messages increases operational costs and decreases speed, as payments fail or require manual intervention more frequently. Transparency targets are also impacted as requisite information is not available to share with customers. Furthermore, in the event that data quality is sufficiently poor in a particular country, payment service providers (**PSPs**) may choose not to provide services, limiting access to customers.

Currently, examples of such barriers include country-specific interpretations of AML/CFT payment messaging requirements. Today, there are varying interpretations of the mandatory payment message fields and text format required to satisfy the FATF Recommendations.

As we have commented, ISO 20022 formatted messages have the potential to support richer data in the context of payments,[23] but differences around the free format field, or the status of the mandatory fields, may result in added complexity, impacting the determination of missing or incomplete information.

As part of the implementation of the cross-border payments and reporting (**CBPR+**) ISO 20022 compliant message set, the Harmonisation Taskforce sponsored by the Payments Market Practice Group (PMPG) is working on how single payment and cash management messages should be used cross-border. Usage of free format fields will be further restricted by the end of the transitional period in 2025, after which "coexistence" of older and newer messages will be discontinued.

CBPR+ will support a catalog of payment messages, allowing much tighter validation and cross-validation, including pre-validation, which is expected to significantly reduce error rates and RFIs. SWIFT Transaction Manager will enable more data quality analysis.

It is important to note that ISO 20022 is a framework and not a single message set, so ISO 20022 conforming message sets are different in different sectors (e.g. cards, securities, RTP, etc). Also, message sets within any given sector can be defined by any entity as long as they follow the framework, then register that with the appropriate Registration body (such as SWIFT). The migration to ISO 20022 also has different business cases per sector. It is not a given that all sectors involved in cross-border payments will migrate to 20022 and that the business case is the same across the board; the business case is influenced by sector, and also market drivers. For example, within the cards space, the industry agreed to define one message set (Acquirer to Issuer Card Messages or ATICA). Given that the cards space already had a baseline standard in ISO 8583, it faces different payoffs for moving to ISO 20022 than other sectors such as real-time payments.

Continuing to provide greater standardization, market practices, and conformity for payment message information would reduce or remove existing frictions in the end-to-end cross-border payments process, positively impacting all four of the challenges and particularly cost and speed.

---

[23] Richer data message sets can potentially be more complex and more burdensome to process, presenting another trade-off.

5 Broader themes supporting the Roadmap objectives

There are two themes that, while not part of the Roadmap, are nonetheless addressing key frictions. **Fostering digital trust networks** (linked to but not identical with BB 16); and **promoting digital financial inclusion** (not linked to any BB at present).

Given the role of the official sector in these areas, it is suggested that the implementing SSBs should recognize them as helpful preconditions of full Roadmap effectiveness.

Engagement by financial SSBs and international organizations with non-financial agencies and regulators would be desirable in order to do these broader reform themes justice given their economy-wide reach and scale.

5.1 Adopting and fostering Digital Trust networks (linked to BB 16)

Particularly during the COVID-19 pandemic, the importance of digital identity and digital trust has become apparent in enabling both individuals and enterprises to securely and easily prove an individual's or enterprise's identity or credentials to those with a need to know, while not over-sharing data.

Digital Trust has proven key to allowing for digital-only onboarding by financial institutions (including payment service providers) of new clients without face-to-face interactions. Another use case for Digital Trust has been in establishing secure payment pathways to facilitate the distribution of government subsidies to individuals and businesses.

Economies such as India and Singapore are starting to reap the rewards of the significant investments made in secure digital ID. Both the "India stack" (made up of the Unified Payment Interface (UPI) and the Aadhar biometric ID system) and the Singaporean MyInfo and SingPass systems are increasingly supporting their own ecosystems of third-party value-added service providers.

The BIS has previously highlighted the impact that modern digital ID infrastructure can have on financial inclusion, highlighting the dramatic impact of the India stack in driving account ownership far above what would be expected according to India's per capita GDP.[24] In 2019, McKinsey Global Institute estimated that digital ID could unlock economic value equivalent to 3–13% of GDP in 2030 across selected focus countries.[25] Digital identity is also a key component of many aspects of digital transformation, enabling sophisticated analytics and partnerships across the ecosystem.

Digital trust goes further than solely digital ID and includes the ability for an individual or business to reliably, securely, and quickly prove attributes such as age, residence, educational qualifications, entitlements to government programs, or health status. In the corporate space, it also includes the ability for a legal entity to prove not just its own unique identity, but who its duly authorized representatives are at any given time.

[24] BIS (2020), Central banks and payments in the digital era, *BIS Annual Economic Report,* p. 80.
[25] McKinsey Global Institute (2019), Digital identification: A key to inclusive growth.

While sovereign digital ID can be a key enabler, the private sector also has an important role to play. For example, the BankID federated system in the Nordic countries provides a system whereby financial institutions can provide trust services by attesting to the identity and attributes of their own clients. BankID permits users to access thousands of government services using their secure, bank-issued credentials.

The Open Digital Trust Initiative is a joint initiative of the Institute of International Finance (IIF) and Open ID Foundation. It is an interoperable and open-standards development, aiming to create a vibrant marketplace for digital trust services that would help individuals and entities to confirm identity and other attributes, as well as understand and manage risk.[26]

The policy development workstream of the Open Digital Trust Initiative has developed Principles for Digital Trust Networks, identifying at a high level the 'rules of the road' that Digital Trust Networks should adopt in order to incentivize a high level of digital trust, user centricity, and low cost. Additionally, the IIF co-published the Global Assured Identity Network (GAIN) white paper (2021), with the other participants of the Open Digital Trust initiative and 150+ co-authors from across the global Digital Identity community.

On a global level, the Global Legal Entity Identifier Foundation (**GLEIF**) has launched the Verifiable Legal Entity Identifier (**vLEI**). By combining three concepts – the organization's identity, represented by the LEI, a person's identity represented by their legal name, and the role that the person plays for the legal entity, vLEI credentials can be issued and become part of organizational wallets.[27]

These and other private and public–private initiatives can be expected to build on and complement ongoing efforts to improve and establish sovereign digital ID capabilities, and to build a broader verifiable credentials ecosystem encompassing educational, financial, health and other attributes that are secured, managed, and shared in a user-centric way. This will require close cooperation between multiple authorities within a jurisdiction to ensure a holistic approach and legal certainty.

The official sector could assist the development of robust digital trust networks, in several ways, including:

- by issuing digital verifiable credentials to individuals and legal entities itself (either in the form of digital ID, corporate identifiers, or corporate or individual verifiable credentials such as licenses, certificates, etc.);

- by clarifying the conditions under which private sector institutions can offer digital identities or act as issuers or verifiers of attributes;

- by acting as consumers (relying parties) of verifiable credentials issued by high-quality private sector actors such as financial institutions and utilities, where appropriate;

[26] This Initiative was described in Episode 73 of the IIF's Finance, Regulation and Technology (FRT) podcast, and discussed in the wider context of digital identity interoperability and inclusion in Episode 78.
[27] GLEIF (2022), Introducing the Verifiable LEI (vLEI) – GLEIF's Digital Strategy for the LEI; see also Leung, D. et al., (2022), Corporate digital identity: no silver bullet, but a silver lining, *BIS Papers*, No. 126, June.

- by clarifying (where needed) the ability of contractual arrangements among the participants involved to define and allocate liability; and

- by enacting legislation recognizing digital signatures and digital transactions, if required.[28]

5.2 Promoting digital financial inclusion, including by further developing infrastructure that reduces the cost of disbursement (not linked to any BB at present)

The importance of both the "cash out" leg and cash funding as a driver of cost strongly suggest that the Roadmap's BBs, or flanking measures to support the Roadmap, need to reach beyond purely cross-border aspects and to work broader improvements in domestic payment systems including expanding **digital financial inclusion**, the availability of **domestic faster payment systems, and infrastructure that reduces the cost of disbursement**.[29]

The CPMI's analysis of SWIFT gpi data also suggests that new measures are required to tackle the drivers of slow payment speeds in low and lower-middle income countries, arising from **capital controls and related compliance processes**, **weak competition** as measured by the number of banks, as well as **limited operating hours of and the use of batch processing by beneficiary banks**.

The VEEI study on drivers of remittance payment costs cited earlier[30] made five recommendations for policymakers:

- **Begin with digital enabling infrastructure, if it does not exist:** Beyond electricity, internet connectivity—and increasingly broadband connectivity—will be crucial. And given that mobile phone adoption outstrips computer penetration in many parts of the world, mobile broadband is the best answer for connectivity moving forward.

- **Focus on digital enablement broadly, keeping consumers and businesses in mind:** This requires digitally enabling businesses, especially small businesses, helping them to accept digital payments and connect them to digital marketplaces.

- **Aim for an open digital ecosystem:** the public sector does not need to build new global infrastructure that could stifle competition.

- **Streamline the regulatory environment**: this includes the development of a consistent AML compliance framework that would improve the efficiency and transparency of cross-border solutions offered by the private sector.

- **Simplify the licensing process:** The "passporting of licenses," a suggestion from the World Economic Forum (**WEF**) in its June 2020 paper on cross-border payments[31] (WEF

---

[28] In this regard, the UNCITRAL (1998) Model Law on Electronic Commerce provides a useful minimal baseline.
[29] See IIF (2021a), *op. cit*.
[30] VEEI (2021), *op. cit*.
[31] WEF (2020), Connecting Digital Economies: Policy Recommendations for Cross-Border Payments

2020), was not directly mentioned in the FSB's cross-border roadmap. It would be consistent with G20 leaders' agreement in other areas such as OTC derivatives reform for regulators to exercise deference where justified by the outcomes achieved by the foreign regulatory regime.[32] Even increased consistency of licensing requirements would help fintechs operate across multiple markets with less friction.

[32] In September 2013, the G20 Leaders agreed that "jurisdictions and regulators should be able to defer to each other when it is justified by the quality of their respective regulatory and enforcement regimes, based on similar outcomes, in a non-discriminatory way, paying due respect to home country regulation regimes." See G20 (2013), St Petersburg Leaders' Declaration, September 6, paragraph 71

Annex 1 – Overview of the focus areas and BBs

Source: CPMI (2020), [Enhancing cross-border payments: BBs of a global roadmap - Stage 2 report to the G20](), July

Annex 2 - Targets

Challenge	Payment Sector		
	Wholesale	Retail (e.g. B2B, P2B/ B2P, other P2P)	Remittances
Cost	No target set	Global average cost of payment to be no more than 1%, with no corridors with costs higher than 3% by end-2027	Reaffirm UN SDG: Global average cost of sending \$200 remittance to be no more than 3% by 2030, with no corridors with costs higher than 5%
Speed	75% of cross-border wholesale payments to be credited within one hour of payment initiation or within one hour of the pre-agreed settlement date and time for forward-dated transactions and for the remainder of the market to be within one business day of payment initiation, by end-2027. Payments to be reconciled by end of the day on which they are credited, by end-2027.	75% of cross-border retail payments to provide availability of funds for the recipient within one hour from the time the payment is initiated and for the remainder of the market to be within one business day of payment initiation, by end-2027	75% of cross-border remittance payments in every corridor to provide availability of funds for the recipient within one hour of payment initiation and for the remainder of the market to be within one business day, by end-2027
Access	All financial institutions (including financial sector remittance service providers) operating in all payment corridors to have at least one option and, where appropriate, multiple options (i.e. multiple infrastructures or providers available) for sending and receiving cross-border wholesale payments by end-2027	All end-users (individuals, businesses (including MSMEs) or banks) to have at least one option (i.e. at least one infrastructure or provider available) for sending or receiving cross-border electronic payments by end-2027	More than 90% of individuals (including those without bank accounts) who wish to send or receive a remittance payment to have access to a means of cross-border electronic remittance payment by end-2027
Transparency	All payment service providers to provide at a minimum the following list of information concerning cross-border payments to payers and payees by end-2027: total transaction cost (showing all relevant charges, including sending and receiving fees including those of any intermediaries, FX rate and currency conversion charges); the expected time to deliver funds; tracking of payment status; and terms of service.)		

Source: FSB (2021), op. cit.

Annex 3 IIF engagement with the Roadmap

Targets: The FSB consulted on the targets for the Roadmap by releasing a consultation document May 31, 2021; IIF attended a virtual outreach event convened by the FSB on June 30 and made a submission to the FSB on July 16, 2021. IIF was also invited to participate in a virtual event on key performance indicators (**KPIs**), ahead of the FSB's June interim report, on April 27, 2022 and provided written follow-up to its engagement on data gathering and KPIs to the FSB subsequently.

Stablecoins: The IIF convened a virtual roundtable on November 23, 2021 with CPMI, the International Organization of Securities Commissions (**IOSCO**), and the European Central Bank (**ECB**) to explore issues raised in their October 2021 consultative report on the potential application of the CPMI-IOSCO Principles for Financial Market Infrastructures (**PFMI**) to stablecoins arrangements; the themes that emerged are summarized in an IIF member-only briefing note.

***Data frameworks*:** The IIF made a submission to FSB responding to its consultation on the impact of data frameworks on cross-border use of data in payments on January 14, 2022, and highlighted major constraints posed by fragmented data requirements and data localization to the vision set out by the G20 to have faster, cheaper, more transparent, and more inclusive cross-border payment services, that are safe and secure. IIF subsequently attended an FSB virtual outreach meeting on February 9, 2022.

Digital identity and proxy registries: The IIF and the Open ID Foundation made a submission ahead of a CPMI payments conference held on March 18-19, 2021 focusing on digital identity topics in response to some of the questions posed for industry expert input. More recently, the IIF attended an FSB virtual outreach on April 5, 2022, which addressed challenges to the broader adoption of the Legal Entity Identifier, including for cross-border payments, and the potential for a global digital unique identifier for cross-border payments, including for individuals.

Other: The IIF made a submission on January 14, 2022 to CPMI in response to its consultation on real-time gross settlement (**RTGS**) system operating hours.

The IIF has also co-convened the **Global Payments Forum (Forum)** with the Payments Association and Emerging Payments Association Asia and has held nine meetings of the Forum to date. The Forum brings together financial institutions, payment service providers and paytechs, and has a uniquely broad and geographically diverse membership. The Forum also has observers from the official sector including global SSBs.

Lastly, the central bank digital currency (**CBDC**) debate touches on cross-border payments, in that facilitating such payments is often cited as one reason to implement CBDCs. The IIF has been active in this area; for example, the IIF convened an in-person round table in Washington, D.C. on Digital Assets on 21 April with distinguished speakers from the official and private sectors. The IIF responded to the Fed's discussion paper on a possible U.S. CBDC on May 20, 2022, and responded to the European Commission's targeted consultation on a digital euro on June 14, 2022.

Annex 4 References

BIS (2020), Central banks and payments in the digital era, *BIS Annual Economic Report*

CPMI (2016), Fast payments - Enhancing the speed and availability of retail payments, November

CPMI (2020), Enhancing cross-border payments: building blocks of a global roadmap - Stage 2 report to the G20, July

CPMI (2021), Developments in retail fast payments and implications for RTGS systems, December

CPMI (2022a), SWIFT gpi data indicate drivers of fast cross-border payments, February 8

CPMI (2022b), Extending and aligning payment system operating hours for cross-border payments, May

CPMI (2022c), Improving access to payment systems for cross-border payments: best practices for self-assessments, May

Deloitte (2019), Economic impact of real-time payments, July

FATF (2021), Cross-Border Payments: Survey Results on Implementation of the FATF Standards, October

FSB (2020), Enhancing Cross-border Payments: Stage 3 roadmap, October 13

FSB (2021), G20 Roadmap for Enhancing Cross-border Payments: First consolidated progress report, October 13

G20 (2013), St Petersburg Leaders' Declaration

G20 (2020), Leaders' Declaration, G20 Riyadh Summit, November 21-22

GLEIF (2022), Introducing the Verifiable LEI (vLEI) – GLEIF's Digital Strategy for the LEI

IIF (2019), Data Flows Across Borders

IIF (2021), Targets for addressing the four challenges of cross-border payments, submission to FSB, July 15

IIF and co-authors (2021), Global Assured Identity Network

IIF (2022a), Extending and aligning payment system operating hours for cross-border payment, submission to CPMI, January 14

IIF (2022b), Submission to FSB on data frameworks affecting cross-border payments, January 14

Leung, D. *et al.,* (2022), Corporate digital identity: no silver bullet, but a silver lining, *BIS Papers*, No. 126, June

McKinsey Global Institute (2019), Digital identification: A key to inclusive growth

UNCITRAL (1998), Model Law on Electronic Commerce

VEEI (2021), The rise of digital remittances: How innovation is improving global money movement

WEF (2020), Connecting Digital Economies: Policy Recommendations for Cross-Border Payments