

# Cross-Border Payments—Delivering Customer Value and Building the Road Ahead Together

Efforts underway to improve cross-border payments require a more focused approach and sustained coordination between public and private entities if they are to achieve better outcomes for end users in a digitized economy. The IIF recently convened leaders from the financial services industry, paytechs, and the public sector to share views on friction points and pathways for progress toward cross-border payments that are lower cost, faster, more transparent, more secure, and comply with the layers of regulation and reporting required by governments around the world. The dialogue highlighted the diverse challenges and opportunities to achieving these outcomes. This note presents the key takeaways from this event.

**This is a consequential time in payments.** According to one participant, “cross-border money movement is expected to exceed \$220 trillion by 2027.” Success in efforts to improve cross-border payments efficiency could therefore create meaningful benefits throughout the global economy. As a senior official put it, “payments are front of mind. They are not just plumbing, they are the lifeblood of the financial system.” A senior bank executive observed that the industry is at a critical juncture, “We truly are at a generational shift into the future of payments. Comparable to move from telex to SWIFT in late 70s.” Another executive put it more colloquially when he concluded, “payments are sexy again.”

**The international payments landscape is diverse, complex, and dynamic** as it continues to **focus on customer needs for different kinds of payments** while meeting public sector requirements for the enforcement of anti-money laundering, sanctions, privacy, and related regulation. Forces reshaping the payments ecosystem and related value chains include the expanding role of bigtech platforms, and other new entrants with data driven business models, which are coupled with consumer interests in embedded payments. These forces also include new offerings from the public sector in cross-border corridors, including fast-payment systems, more open real-time gross settlement systems, retail central bank digital currencies, and associated digital wallets. Cross-border pilots of these systems, and future plans for linkages between them, make them an important vector for change. At the same time, the financial services industry is hard at work implementing new messaging data standards, investing in a new generation of technology, and defending customers from fraud and cyber-attacks, while simultaneously enforcing various government sanctions regimes. Ensuring that G20 KPIs are a good match with the diversity of customer needs and individual governments’ requirements will be a challenge.

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**The customer should remain at the center of payments innovation** and their expectations for service matter, especially as the variety of payments options available to them increase. Customers expect a great user experience and will move their business to other providers if they do not get it, supporting a wide variety of ecosystem actors. Additionally, payments providers need to meet customers at the point where they want to make a payment, which is increasingly on digital platforms.

**Cross-border payments meet heterogenous customer needs.** A diversity of solutions have emerged to meet challenges in different parts of the payments landscape. As a result, different types of payment modalities, technologies, standards, and data treatments have proliferated, both within and between jurisdictions. This diversity raises the importance of interoperability between payment solutions. Some homogenization may be needed in the landscape, but solutions have evolved in response to specific customer needs across different customer types and regulatory frameworks, which cannot be discounted. At the same time, the diversity of payment solutions could form multiple layers of a global ledger with appropriately designed interoperability solutions to unify the new systems.

**Payments are an ecosystem** that incorporates a huge number of services that are important to the financial services industry and to customers. Payments themselves are a continuum and a space for high customer engagement. By focusing on building better payments systems, financial services firms may find that they can also create customer trust across a range of associated services and find synergies between them. Building better payments also entails building better wallet storage systems and digital identities, among other services. The industry is learning that payments themselves can be unbundled from different functions, opening new business opportunities through digital tools. For example, Project Nexus (an experimental platform connecting several fast payments systems, one of many [payments projects](#) at the Bank for International Settlements' Innovation Hubs) showed that you can separate who initiates a payment from the FX provider without significantly delaying the process, an unbundling that was technologically unfeasible a few years ago.

**There are tensions between various public sector priorities.** Changing the cost and speed at which payments can be made has tradeoffs with higher standards for AML, sanctions, security, fraud prevention, privacy, and data capture and storage, among other priorities. While lowering costs for payments remains a challenge in a rising compliance costs environment, technology is enabling new solutions. Examples shared from a variety of jurisdictions show that there is a diversity of ways to meet customer expectations, through either building on existing systems or innovating new processes, or in many cases, both. Most importantly, there is consensus that many of the technological impediments to faster, cheaper, and more secure cross-border payments have been

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solved. To achieve the desired outcomes, industry and policymaker attention now needs to turn to governance and policy issues.

**Policy, regulatory, and legal frameworks have not kept pace with technological innovation.** Technical and operational standards are increasingly elevated in the global payments conversation. Getting these standards right is essential for the openness and interoperability we desire in the global payments ecosystem. Governance challenges were named as a bigger obstacle to achieving policy goals than technology by both public and private sector speakers, reflecting widespread acknowledgement of this point. New taskforces at the CPMI and FSB will tackle these challenges and focus international attention on interoperability between governance frameworks. A central bank official pointed out that the public sector can provide both hard and soft infrastructure, the latter in the form of rules and guidelines.

**Data and ISO 20022 implementation are critical and “going minimal” up front would be a mistake.** A bank executive shared that ISO20022 is, “moving from legacy message structure invented in 70s, very data light and human-readable, into something meant to be read by machines and incorporated into data strategies. For banks’ ecosystems, we are excited by [the] possibilities of data, but for benefits of ISO [to be realized], we need end-to-end ISO strategies.” Payments systems need rich data environments to perform the variety of functions customers expect of them efficiently. As a result, industry players may want to push for more and better quality data, as opposed to accepting the minimum data necessary to complete an exchange of value. ISO harmonization is one effort to bring the payments industry into an environment where richer data is held in better structures. While absolute alignment between data frameworks is unlikely, the payments industry has a lot of room to harmonize data collection and exchange across services and borders. Striking the right balance between alignment and harmonization is key. The advent of ISO migration, plus the increasing adoption of fast payments systems and CBDCs will churn out rich data on how customers use payments systems and what their needs are, information that the industry should prepare to utilize. ISO harmonization efforts set a standard that firms and jurisdictions could build to, which could remove some of the heterogeneity discussed above.

**An instant payment requires instant due diligence.** The majority of payments pass through a human-manned check of some sort within their lifecycle. Improving the quality and quantity of data incorporated into transactions could enable automation. It is high-quality, data rich environments that enable robust KYC/AML checks at speed. Technology must keep pace with the services enabled by more data. Technological compatibility between layers of a payment system is of the utmost importance, as are unified standards for treatment of data by different technologies. A central bank official shared the advantages of ISO20022’s much more structured messages, “It helps the messages to go through more quickly and achieve a straight through processing. A key

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problem with cross-border payments [is] that 60% need manual intervention.” More comprehensive data standards can help with AML, KYC, enhanced analytics, and could also deliver liquidity benefits.

**Widening the view.** A robust and efficient global payments environment requires that payments are robust and efficient everywhere. Many of the policy touchpoints around improving payments efficiency have been discussed in the context of the G20, but policymakers and the industry should and are looking beyond G20 countries. Participants voiced that many of the toughest governance challenges for cross-border payments are in non-G20 jurisdictions, a dynamic that merits international attention and technical assistance.

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*The 2023 Global Payments Forum, held on June 13 & 14, 2023 and organized by the IIF, the Payments Association, and Emerging Payments Association Asia, brought together public and private sector leaders to discuss the future of the global payments landscape. The forum was conducted under the Chatham House Rule and this note does not attribute any comments to specific participants. Further, this briefing note does not represent the official position of the IIF or its membership, nor those of speakers and their institutions. To join the next Global Payments Forum, get involved with the IIF’s payments workstreams, or stay up to date with IIF’s digital finance content, please reach out to Emma Handel at [ehandel@iff.com](mailto:ehandel@iff.com).*