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*By electronic submission to [fsb@fsb.org](mailto:fsb@fsb.org)*

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## **Cross-Border Payments Targets**

The IIF and its members welcome the opportunity to respond to the FSB's July 6 [Interim Report](#), *Developing the Implementation Approach for the Cross-Border Payments Targets*.

In broad terms, we welcome the progress made by, and our engagement with, the FSB's Targets Data Group (**TDG**) and we particularly welcome:

- the emphasis on leveraging existing data sets as much as possible, including public sector data sets such as the World Bank's Remittance Prices Worldwide (RPW) database and the Global Findex data set, as well as the CPMI Red Book;
- the acknowledgement of the marked diversity of use cases across and within the three market segments (wholesale, retail, and remittances) for which targets have been set, including the diversity within the retail segment;
- the acknowledgement that few PSPs or infrastructures have visibility into the end-to-end (payer to payee) payment chain (at p. 2); and
- the recognition that, in addition to the amount of heterogeneity, the commercially sensitive nature of the relevant data, and various jurisdictions' legal frameworks makes obtaining data through a centralized process directly from PSPs and payments infrastructures challenging (at p. 9).

Our members are, however, concerned by the proposals in the paper for new surveys of banks and other institutions, notably:

- **Wholesale target for speed:** Survey of banks, financial institutions and trade associations on percentage of cross-border wholesale payments outside of network providers that are (not) credited within 1 hour or 1 business day of the pre-agreed settlement date and time (Table 1, p. 7)
- **Wholesale target for transparency:** Sample survey of banks (Table 3, p. 9)
- **Retail target for cost:** Sample survey of banks and non-bank PSPs (TBD) (Table 4, p. 10)

Any survey of banks, financial institutions and trade associations is likely to be a significant new data lift for them, at a time when payments ecosystem actors are coping with significant ongoing operational and compliance challenges including those arising from the level of financial sanctions imposed in response to the Russia–Ukraine conflict. There is a finite capacity for change within the payments ecosystem at any one time and all changes should undergo a thorough cost:benefit analysis. The imposition of new reporting requirements would have the potential to detract resources and focus from implementation of other Roadmap initiatives, impacting the achievement of the targets.

In our view, there is also significant work that would need to be done by the TDG in advance to define the governance structure and confidentiality regime around data submitted in any survey before the industry would have confidence in participating.

In our respectful view, it is not appropriate to expect financial institutions to share client or proprietary confidential data without a clear supervisory mandate to require that data. We would, by the same token, query whether it would be appropriate for supervisors to share confidential supervisory data for non-supervisory purposes, such as assisting the FSB to monitor progress towards the Roadmap objectives. Merely pseudonymizing or aggregating data may be unlikely to deal with the issue. As such, any such survey should be explicitly voluntary in nature and should not require any client or proprietary confidential data to be shared.

If, despite our strong recommendation, the TDG decided to embark on design of a completely new survey instrument, it would be essential to involve banks and other PSPs that would be expected to provide data to be involved in the further definition of the data elements to be collected and the scope of payments within the reportable universe. Any new surveys would need significant new design work to ensure correction for double-counting and precise definition and standardization of data elements to be collected. Such crucial concepts as payment start and finish, cost of cross-border payment, and corridor would need much more granular definition than has been forthcoming to date. Ideally, a formal data standard and xml, JSON or other machine-readable format would also be defined for each new field being collected. Any new data standard should be compatible with, or a subset of, ISO 20022 or other relevant ISO standards. For all of these reasons, any new survey is unlikely to result in timely measurement of progress towards the targets, let alone measurement of an adequate baseline of the status quo ante. In this regard, we note the TDG's view that "it seems unlikely that the October 2022 report will be able to contain a full set of estimates of current performance."

We note the TDG is still considering the use of private sector data aggregators for some dimensions, at least in the short term. Against the background set out above, we would urge the TDG to explore as a priority the feasibility of using one or more private-sector data aggregators beyond the short term. In our view, leveraging the unique skills of private-sector data aggregators (one of which already powers the highly authoritative World Bank Remittance dataset) could be preferred to constructing a new survey of banks and other institutions, and may result in a higher-quality and more reliable dataset being produced more quickly, without the cost to the private sector of new data surveys.

As both the public and private sector of the payments industry are aware, sharing data across borders can be challenging. The data restrictions that impact the delivery of the targets will also affect the measurement of performance against them. We, therefore, suggest the TDG consider the individual data sharing requirements of relevant jurisdictions before finalizing its plans to ensure that the measurement of any KPIs proposed is feasible from a legal, security, and commercial perspective. The FSB could leverage the stocktake undertaken by BB6: 'Data Frameworks' on the national and regional data frameworks and should also engage directly with regional and national data regulators. To satisfy local legal, security, and commercial concerns, the FSB would also need to provide further clarity on the purpose of the data collection and how the data will be processed.

We note the interim report reiterates that the targets will be "set and monitored" at a global level, but that some form of disaggregated data will need to be collected and published "to assess where progress is being made and where challenges remain." Until these needs are clarified, it will be difficult to determine the purpose of the data collection and how the data will be processed, therefore difficult to draw conclusions regarding the legal, security, and commercial concerns entailed.

We note that the TDG is considering the use of weighted averages to be used while keeping in mind the risk of over-weighting the largest corridors. As we have said, a failure to weight averages may lead to retrenchment from high-cost corridors by institutions under pressure from supervisors to meet target. This would reduce competition and may unfairly favor less-

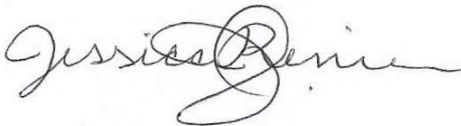
heavily regulated payment service providers. We agree that the weighting system would need to be carefully designed, but not only to not overweight the largest corridors but also to not underweight the largest payments.

Our answers to the three specific consultation questions that FSB has posed are in the **Annex**. We would also reiterate those points made in our recent May 31, 2022 [submission](#) to the FSB, which itself built on our previous July 16, 2021 [response](#) to the FSB's consultation on the targets.

To support the delivery of an implementable solution, we would encourage the FSB to maintain a wide scope of stakeholder input, to include additional industry expertise from across the public and private sectors.

We thank the FSB for this opportunity to provide input and stand ready to engage in or help organize any further stakeholder engagement process as desired.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jessica Renier". The signature is fluid and cursive, with a large loop at the end.

Jessica Renier  
Managing Director, Digital Finance

## ANNEX

### Responses on particular consultation questions

#### 1. Has the FSB identified appropriate potential sources of data for efficiently monitoring progress toward the Roadmap's targets? What, if any, additional or alternative public or private data sources should the FSB also consider and for what KPIs?

- **Wholesale target for speed:** For the reasons mentioned in the cover letter, the IIF does not support proposals for a new survey of banks, financial institutions and trade associations. See below on the use of data aggregators as a potential substitute.
- **Wholesale target for access:** As regards the wholesale segment, it is proposed that the wholesale targets for access are based on the number of transactions and BIS Red Book appears as the primary source for this KPI. Some members have suggested the information in the Bankers Almanac would be a useful additional qualitative data source.
- **Wholesale target for transparency:** For the reasons mentioned in the cover letter, the IIF does not support proposals for a new survey. As an alternative, the IIF would suggest the FSB conduct a “mystery shopper” survey employing the services of specialist data analytics firms. An analytics firm may be able to leverage its existing data sets or extend them to assist the FSB in its monitoring exercise. This would be analogous to the approach taken by the World Bank to develop the underlying remittance payments data set.
- **Retail target for cost:** For the reasons mentioned in the cover letter, the IIF does not support proposals for a new survey. We would urge the TDG to consider the role a data aggregator could play (see below). We note a suggestion that cost should be monitored by separating fees from FX margins so as to assist in understanding the underlying challenges. On this score, we would caution that currency conversion is strictly speaking a separate service from the cross-border payment and can be affected by a separate entity and at a different time.
- **Retail target for speed:** It is necessary to make a distinction between the speed of the processing of the transaction and the moment the funds are made available to the final beneficiary. For example, in the case of debit and credit card payments, not only is the authorization response and clearing potentially done in real-time, but an exchange of value may also be conducted (i.e., goods/services delivered to payer, and a form of accounts receivable delivered to the payee) prior to any settlement of funds.
- **Retail target for access:** we have doubts on the usefulness of the number of accounts provided or held by individuals or firms as more of the KPIs lack a meaningful denominator and this approach ignores that, in some countries, the low bank account participation rate may be due to the fact that potential users do not see the necessity of having a bank account. On the contrary, access KPIs should be oriented to understand if users having the necessity to send and/or receive cross-border payments on a regular basis are able to open a(n affordable) bank account for the execution of those payments.

**Data aggregators:** We note the TDG is still considering the use of private sector data aggregators for some dimensions, at least in the short term. Against the background set in the cover letter, we would urge the TDG to explore as a priority the feasibility of using one or more private-sector data aggregators beyond the short term. In our view, leveraging the unique skills of private-sector data aggregators (one of which, FXC Intelligence, already powers the highly authoritative World Bank Remittance dataset) could be preferred to constructing a new survey of banks and other institutions, and would result in a higher-quality and more reliable dataset being produced more quickly, without the cost to the private sector of new data surveys.

See also our answers to Q. 2 on volume weighting and to Q. 3 on Retail segment disaggregation by use case.

**2. Has the FSB defined the KPIs appropriately, such that they are closely and meaningfully tied to the relevant target? What, if any, additional considerations should inform the calculation of the KPIs so that they provide sufficiently representative measurements of progress toward the targets without being overly burdensome?**

**Weighted averages:** We note that the TDG is considering the use of weighted averages (for example in the Retail target for cost KPIs) to be used while keeping in mind the risk of overweighting the largest corridors, although it notes that “data availability on potential weights remains unclear at this stage; the weighting system would need to be carefully designed in order not to overweight the largest corridors.” As the targets are global, system-wide targets, we would be concerned if the largest corridors did not carry more weight commensurate with volumes transacted. We agree that the weighting system would need to be carefully designed, but not only to not overweight the largest corridors, but also to not underweight the largest payments. We urge the TDG to do more to identify appropriate weights where data is available.

As we have said in our previous submission to the FSB on this topic, a failure to weight averages may lead to retrenchment from high-cost corridors by institutions under pressure from supervisors to meet target. This would reduce competition and may unfairly favor less heavily regulated payment service providers.

We would also remark that a high degree of standardization will be needed around some of the data elements important to measuring progress on meeting targets. For example, a common understanding of what is included in the end-to-end payment journey and what the ‘cost’ of a payment is composed of are needed. The approach for measuring the timing of a payment should also be standardized and aligned across the segments.

**3. The FSB is evaluating the use of proxies for monitoring progress toward some of the targets. Are the proxies proposed appropriate? What, if any, additional or alternative proxies should the FSB consider that are sufficiently representative and simplify monitoring?**

**Retail segment disaggregation by use case:** We welcome the acknowledgement by the TDG of the marked diversity of use cases across and within the three market segments (wholesale, retail, and remittances) for which targets have been set, including the diversity within the retail segment. Some members consider that average transaction size should not be considered as the best proxy to identify different use cases within the Retail segment, as payments of different amounts are possible in all segments. If it remains, it would also be of importance to differentiate between B2C/C2B and B2B payments which may be subject to differing service level agreements.

**Targets for transparency:** We view an improvement of transparency in terms of cost and payment status as the most beneficial measure to enhance cross-border payments. We note the TDG’s suggestion that the presence or absence of rules requiring transparency may be able to serve as a proxy for the transparency target. We consider this would be undesirable if it acts as a “back-door” method of effectively harmonizing transparency requirements at the global level without any of the usual disciplines, including consultation and cost:benefit analysis, around the imposition of such requirements. It also risks ignoring the role that market practices as they evolve through market forces play in setting *de facto* transparency standards, such as seen in recent fintech and paytech entrants competing on transparency and user experience. In general, as long as transparency rules across jurisdictions are as fragmented as they are today,

global KPIs for transparency should only be as granular as the least granular national rule to be aligned with national regulations and market practices.