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FINANCE

Targets for addressing the four challenges of cross-border payments

The IIF and its members welcome the opportunity to respond to the FSB's consultation on targets for addressing the four challenges of cross-border payments.[1] We are pleased to offer our general comments and observations, as well as addressing the consultation's specific questions in the Annex.

The IIF is fully committed to this important initiative of the G20 to enhance cross-border payments, and in this spirit we are sending detailed comments on the targets to help shape an **implementable roadmap**. Noting the call for a public-private partnership, the IIF has set up the Global Payments Forum with the Emerging Payments Association, for financial institutions (FIs) and other payments ecosystem actors to engage with standard-setting bodies (SSBs) and others responsible for delivering the G20 objectives, as well as to share their experiences in meeting the challenges.

As for the **proposed targets**, we believe:

- the cost targets may be too low, given the highly variable costs incurred across use cases and corridors, and the extent to which costs are dependent on last mile issues beyond the scope of the roadmap; also a holistic view of cost needs to be taken, including of data monetization;
- the speed targets may be too aggressive at the 100th percentile (end of day) and potentially also at the 75th percentile (one hour) levels, having regard to limitations in the reach of instant-payment (IP) networks, and the extent of dependencies on third-country networks;
- the access target needs further work to better define its scope and to avoid prescribing market micro-structure and inhibiting innovation;
- the transparency target is generally supported, with some caveats.

There is a real **risk of retrenchment** of high-cost or 'difficult' corridors by FIs in the name of meeting average targets (whether under pressure from supervisors, from consumers or consumer advocates, or from their own boards). The end result could be to damage financial inclusion, as market exits diminish competition. In this way, the intent of existing reforms around arresting the decline in correspondent banking would be frustrated. Volume-weighted average targets could be adopted as a partial mitigant to this risk. Another mitigant would be for the G20 to make clear that any targets are intended as system-wide measures of progress and are not designed for supervisory or regulatory purposes.

[1] FSB (2021), Targets for Addressing the Four Challenges of Cross-Border Payments: Consultative document

We also point out that a great deal of progress has been made or is underway to improve cross-border payments, much of it industry-led, and the roadmap represents an acceleration in many respects of positive trends already in place.[2] The progress and completion of existing industry initiatives, especially digital identity, will significantly advance the G20 agenda.[3] This progress should not be obscured when targets are framed. Progress on the roadmap should therefore be measured in terms of **progress from a clearly defined baseline**, not just in a shortfall from an idealized objective. Undertaking a baseline analysis would also identify important cost drivers that may suggest improvements to the roadmap, or indeed, new building blocks. In this regard:

- across 28 corridors studied in 2021, costs varied widely and shopping around paid off, such that while the average cost of sending a $200 remittance across those corridors was found to be 4%, a sub-3% cost was available in 21 of the 28 corridors;
- the majority of digital remittances are still picked up in cash, adding between 100 and 300 basis points of expense to 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 are bearing the costs in these cases.[4]

These data points suggest that the roadmap's building blocks 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 IP schemes, and infrastructure that reduces the cost of disbursement.

Any **fragmentation** arising from delays in international standard-setting, delayed or fragmented implementation, or national/regional "gold plating"[5] of agreed international standards that form part of the roadmap, could clearly add significant cost or reduce cost savings that would otherwise be reaped. The output of Building Block 4 (aligning regulatory, supervisory and oversight frameworks for cross-border payments) will therefore be fundamental to the success of the initiative. Implementation costs arising from envisaged new infrastructure (including that developed by central banks) could also be substantial, and must be kept in rigorous check.

For these reasons, we suggest any targets to be adopted be explicitly made **interim targets**, and subject to a **continuous assessment process**. Such an assessment process could be taken forward by FSB with CPMI/BIS and stakeholder input, and would not only measure progress but also increase the granularity of the targets and ensure they are and remain realistic. This could be informed by an explicit methodology, as laid out in the Annex, and which could build on the FSB's 2017 Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms.

Relatedly, **timelines** should allow for **flexibility** and reassessment as the targets and metrics are reviewed. While maintaining momentum is critical for such an ambitious international

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[2] See, for example, the cost reduction trends measured by the Visa Economic Empowerment Institute (VEEI) in VEEI (2021), The rise of digital remittances: How innovation is improving global money movement, at p. 22. More broadly, the global roll out of ISO 20022 standards, the SWIFT global payments initiative (gpi), and the extension of domestic payment system operating hours and of instant payments (IP) availability, are measures that will improve the efficiency of cross-border payments in the short to medium term.
[3] The IIF is working with the Open ID Foundation on the Open Digital Trust Initiative to further work on open digital trust networks to enable digital ID and verifiable credentials.
[4] See VEEI (2021), *op. cit.,* at p. 8 and p. 31.
[5] i.e., additional national requirements over and above international standards, that may raise barriers to the free flow of trade in services, or impose additional or duplicative compliance costs.

reform agenda, commitments must be weighed against the risk of undermining the credibility of the wider program, particularly if implementation of key building blocks is delayed or fragmented.

For some of the more ambitious targets, particularly around cost and possibly speed, we suggest consideration be given to introducing **‘runways’** or intermediate targets (not unlike the Basel 3 output floor runway). Specific way points could give the industry and infrastructure providers the certainty needed to incentivize investment in improvements, while ensuring peer pressure can continue to operate. The continuous assessment process we propose could also keep the target dates under review in light of ongoing progress in delivering the building blocks, and interlinkages with national/regional reforms.

For **monitoring**, the IIF supports the principle of relying on existing data gathering exercises as much as possible, and we suggest the FSB leverage the data already gathered by competent authorities and infrastructures involved in cross-border transactions, possibly also through new information-gathering channels such as APIs. It would however note that any data gathering exercise must ensure that commercial confidentiality of data is preserved. Monitoring must be informed by rigorous definitions, which should also form part of the methodology referred to above.

The IIF thanks the FSB for this opportunity to provide input, and we stand ready to engage in any stakeholder engagement process or interactive implementation process. Please contact if we can help with any questions or further details, via either Laurence White (lwhite@iif.com) or myself (bcarr@iif.com).

Yours sincerely,

Brad Carr
Managing Director, Digital Finance

ANNEX

Responses on particular consultation questions

1. What are your comments on the key design features applied in designing the targets (section 1)? Are there any design features that you consider are missing?

One design feature that appears to be missing is that targets should be chosen where there is a robust existing data set already available, to ensure that the baseline for the reforms, and progress over time from that *status quo*, is able to be measured. The targets should be well designed to measure progress (or lack of progress) from the defined baseline, rather than simply measuring progress toward absolute targets.

We also suggest more alignment is needed between the targets and the remaining building blocks; the two seem somewhat divorced at the moment, or assume perfect success. Where targets are off track, attribution back to specific building blocks for attention should be feasible, so decision-makers are informed at the policymaking and political level.

Targets should give sufficient time for adoption. The corollary is, as timelines in building block design at global level and implementation at regional/national level may slip, that the targets need to be kept under review and timelines adjusted accordingly. Targets should also take into account other developments (including in domestic payments) and any overlap in initiatives.

2. Do you agree with the market segments as described? Are they sufficiently clear? Do they reflect the diversity of cross-border payments markets, while providing a high-level common vision for addressing the four roadmap challenges?

We believe that Retail payments (as currently defined) is too broad a market segment. This could be subdivided further into meaningful categories (i.e., use cases) that have different customer needs and preferences. For each of these categories, customer preferences around cost, speed, access and transparency may differ.[6] Another approach could be to set targeted metrics based on value thresholds rather than trying to determine what particular flow they fall into, on the basis this would be a more manageable and quantifiable approach. This could also involve setting targets at the infrastructure or ecosystem level, rather than by payment type, on the basis this could provide the most efficient path to publish true data-driven metrics which can be automated and monitored. Starting at the infrastructure level may also provide a good opportunity to do an initial assessment of the overall speed before determining how/if breakdowns should be done at a more granular level.

No mention is made of payments to and from governments in the targets. These payment types are usefully summarized in five out of nine cells in table 1 in CPMI (2018), Cross-border retail payments. In noting that, we acknowledge that including them would require further analysis on the realism of the targets, particularly because anecdotally such payments (including subsidy payments in relation to COVID-19) can be substantially slower, costlier, and less transparent than other payment types (as well as more subject to fraud).

[6] See: "[T]here are many different types and users of cross-border retail payments. This heterogeneity naturally leads to varying degrees of importance being assigned to certain features or attributes of cross-border retail payment services, such as cost, speed, predictability, transparency, payment aspects (eg information transmitted with the payment and opportunities for integration with related processes), preference of the payee, and ease of use" (at p. 16).

3. Do you have any comments on the target metrics proposed?

General points

The proposed **continuous assessment methodology** mentioned in the covering letter, that would be applied to refine and keep the targets under review, as well as to measure progress, could include at least the following elements:[7]

1. Standardize and clarify key concepts such as the scope of the end to end payment journey to which the cost and speed targets apply, included and excluded components of the cost of a payment, and the approach to timing of a payment
2. Establish the size of the retail and wholesale payments market (by volume) and assess the magnitude of each significant use case within that overall market. Assess the baseline across the four challenges for each use case, by reference to a suitable baseline 'start date'.
3. Understand the drivers of the challenges for each use case, and assess the other needs that consumers and businesses might have for each use case, such as security, stability, reliability, robustness, privacy, cybersecurity, finality, fraud protection, dispute resolution, etc.
4. Assess what might reasonably be solved through the success of the other building blocks.
5. Establish a target for each use case, based on feasible improvement to the drivers and constrained by the other needs actors may have. Based on the targets for each use case, calculate a volume weighted average target for each market segment across the various use cases addressed.

The **possible trade-offs between targets** (e.g. cost and speed, cost and transparency or cost and access) have not been articulated or explored in the paper. Different user types will have different preferences around these and other trade-offs, and the official sector should avoid foreclosing informed user choices through the targets. For example, the needs and concerns of consumers and businesses may be quite different, as may be the perspectives of banks, fintechs and neobanks as users of payment systems. We would also observe that retail customers may typically be less sensitive to speed of delivery than wholesale and more willing to trade-off speed for cost and transparency. Instant or close to real-time payment infrastructure that is secure and reliable comes at a cost.

There are also **trade-offs between cost and other foundational elements** of cross-border payments, and payment systems generally, listed in point 3 above. Put simply, robust secure infrastructure (both private and public) with well-managed risks does not necessarily come cheaply. These trade-offs should inform and shape the cost targets in particular, and help demonstrate that progress across the building blocks will be necessary to meet the quantitative targets.

"Last mile" issues (particularly those arising within the recipient jurisdiction, including costs associated with cashing-out payments and with national policies or barriers) tend to have an outsize influence on overall cost and timeliness. These issues tend to be concentrated in emerging markets, and it is important to remember that the G20 membership does not represent both sides of all the key payments corridors. These national policies (such as foreign exchange or capital controls or the operation of non-standard payment platforms) often

[7] The methodology could also build on FSB (2017) [Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms](#).

represent informed policy trade-offs. For global quantitative targets to be realistically achievable, these national barriers to harmonization must be systematically addressed, or the targets may need to take the form of realistic add-ons over the domestic-only payment counterfactual. While progress under the building blocks by all G20 jurisdictions is clearly a necessary pre-requisite to the achievement of the quantitative targets, the building blocks may not prove sufficient.

These factors also suggest that “leg-out” transactions (i.e., payments from a G20 jurisdiction to a third country) should not be covered by the targets.

Specific comments

Cost targets

We firstly consider that the cost target seems **arbitrary** and low. Additionally, setting these targets at an overall global level does not take into account **local factors**, which tend to be the true drivers of cost. It would be preferable for the FSB to recommend the G20 adopt targets that are developed through, and subject to an ongoing review process and adjustment on the basis of, a robust, data-driven methodology. If this has been undertaken, we encourage disclosing it for public comment. In the absence of such analysis, it is not possible to know how feasible the targets are.

It may therefore be **premature** to determine a specific cost target or percentage cost target for the entire cross-border payments ecosystem or particular payment categories. We believe the focus should be on pre-payment fee transparency and initiatives to drive down associated costs. These efforts should naturally result in a lower price point for end users. The industry should promote pricing mechanisms and models that offer the most transparency for senders and beneficiaries to make it seamless for senders and beneficiaries to see the end to end transaction cost.

Concept of cost: What counts as “cost” should be clarified, for example whether it covers costs faced by those other than the consumers (payer and payee) such as the merchant discount rate in case of cards, or the price (spread) applied to FX transactions. Cost and price are normally different concepts; a focus on cost alone could lead to cross-subsidization while maintaining price.

Business models: Another important related issue is whether the concept of “cost” for these purposes should include not only the direct fees or other costs to payer and payee of the payment, but also take into account different business models, including the **value of the data** that users are giving. Not doing so could unfairly penalize more financial service focused business models.

Fixed and variable cost components: As for the target on cost, while the target is set on a percentage basis, fixed costs will be charged for the provision of a payment service regardless of the size of payments. Therefore, the smaller the payment amount, the harder it will be to achieve the target. With the advancement of digital innovation and globalization, the need for cross-border payments in small amounts have increased. Further consideration regarding the target metrics should be undertaken having regard to these secular trends and trajectories.

Incremental **implementation costs** arising from the building blocks of the roadmap have not been quantified or taken into account in the targets as presented. This will be particularly important where the roadmap may lead to increased user charges (e.g. for access to upgraded infrastructure, including some that may be provided by central banks). These costs may be substantial and must be kept under rigorous check.

Cost relating to AML/CFT and sanctions: fragmented and complex regulatory frameworks and control obligations impact the cost of cross-border transactions more than domestic payments. In the near future, this is expected to further increase, and cost targets will potentially need to be recalibrated with any additional screening or monitoring requirements that are introduced for payment processors. In this context, it appears appropriate to measure the level of regulatory harmonization and standardization for AML/CFT and sanction controls e.g. the average screening number per transaction or the number of Requests for Information (RFI) that need to be issued due to a lack of data in the transaction. More efficiencies in these processes will reduce the cost along the payment value chain. As an example, the FATF Interpretive Note to Recommendation 16 suggests that countries may apply a de minimis threshold for cross-border wire transfers that is no higher than USD/EUR 1,000 under certain condition.[8] Such threshold could be explored as a globally harmonized measure to improve efficiencies for low value cross-border payments which would also reduce fix costs.

Cashing-out costs: as stated in the covering letter, the majority of digital remittances are still picked up in cash, adding between 100 and 300 basis points of expense to a remittance, depending on the money transfer organization (MTO) and the corridor.[9] Digital financial inclusion is thus a big driver of cost reduction in this space, and needs to be both better targeted by the building blocks and better accounted for in the targets.

Relative vs absolute targets: If enough elements are included, most or many domestic payments themselves would not come within target (either at the 1% or 3% levels). Consideration should therefore be given to targets for cross-border payments costs that are expressed in relative terms to domestic payments costs rather than absolute (for instance, total cost should not be higher than the sum of the costs the parties would be charged for an equivalent domestic payment plus X%). This is because the building blocks have little influence on the costs of the domestic payments system, so to the extent these costs are independent of the roadmap they should not be seen as measures of the roadmap's objectives. (Alternatively, costs could be defined in such a way as not to measure end-to-end costs but only cross-border costs, but this would violate the design principle "Targets should focus on end-user experience".)

Risk of retrenchment: Banks may well experience considerable peer pressure to remain aligned with overall targets. In consequence:

- Setting too low a cost target overall will risk further retrenchment/decline of correspondent bank networks, as high-cost corridors may be retrenched in order to 'meet target'. This may cause a 'death spiral' where the same cost base of maintaining correspondent banking networks is amortized over fewer and fewer transactions.
- Under pressure of average cost targets, banks may also withdraw from certain payment types, possibly retail and remittance, which are lower value and hence have higher costs expressed as a percentage of value transmitted.

One possible mitigant to the risk of retrenchment would be to explicitly set **volume-weighted average targets**, such that lower-volume (and higher cost) corridors or use cases will not disproportionately affect outcomes.

Another mitigant would be to set **more granular targets** in different sub-sectors by use case or by corridor. For example, for selected corridors with high or medium-high AML/CFT of sanctions risks, 3% may not be sufficient to cover all costs of screening and maintaining AML

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[8] FATF (October 2020), International Standards on Combating Money Laundering And The Financing of Terrorism & Proliferation: The FATF Recommendations at p. 78 ff.
[9] VEEI (2021), *op. cit.*, at p. 31.

systems. The 3% target could therefore be applied to the 75th or 95th percentile among corridors or transactions.

Waypoints: Rather than increase the 1% target altogether, for some use cases there may be a case to retain the target but push the target further into the future and establish interim targets or 'waypoints' (e.g. 1.5% by 2025, 1.25% by 2030). Allied with a robust continuous assessment process, this would both set a credible trajectory and give the industry and stakeholders time to adjust. After all, the payment industry plays an important role for the functioning of the global economy and the stability of the financial system. All members of a cross-border payments value chain need to be enabled to establish viable business models to be able to further invest in the improvement of the payment experience for consumers and businesses globally.

Speed targets

As with price, no bottom-up analysis appears to have been undertaken of the market sub-segments and sizes, and what is a realistic weighted average target for speed assuming full and timely implementation of the building blocks.

- 100th percentile (end of day) target

SWIFT provides a key global network for FIs and the payment industry more broadly to process cross-border payments. The objective of the SWIFT global payment initiative (SWIFT gpi) is to improve cross-border payment handling in terms of speed, transparency and reducing frictions. SWIFT gpi data suggests that cross-border data flows using that infrastructure are already close to the speed targets proposed: for example, nearly 50% of gpi payments are credited to end beneficiaries within 30 minutes, with 40% in under 5 minutes, and almost 100% of gpi payments are credited within 24 hours.[10]

Nevertheless, SWIFT gpi does not have universal coverage, and even for payments made through that infrastructure, delays occur, mainly when compliance/screening flags arise and require manual processing. In general, this means a target of having all cross-border payments completed within one business day is too challenging, as it does not allow for the execution of all AML/CFT processes. We would therefore **suggest that end of business day target should be adjusted to apply to the 95th percentile** rather than the 100th.[11]

- 75th percentile target (one hour)

Likewise, it may be difficult for less sophisticated banks in emerging markets and developing economies to ensure that the end to end payment chain meets the speed target, despite the SWIFT gpi (or other fast payment) leg in the middle happening quickly. As a result, the target of a large majority (e.g. 75%) of retail payments to provide availability of funds for the recipient within one hour from the time the payment is initiated may also be too aggressive.

The continued roll-out of domestic IP networks and also deepening digital financial inclusion may be necessary precursors to further progress towards this 75% figure. This is another example of domestic improvements that are not addressed by the building blocks, that will help meet the preconditions for meeting targets set at the global level.

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[10] SWIFT (2021), Fast, transparent and trackable payments

[11] Within the EU, PSD2 requires that all payments be credited to the beneficiary by the end of the following business day (art. 83) and the payment amount has to be made available to beneficiaries immediately after the funds have been credited to their PSPs (art. 87). We would suggest these could be a suitable backstop time limits, if it is considered necessary to provide for targets at the 100th percentile.

- General points on speed targets

The targets assume that all end users want rapid payment transactions for a particular cost. Consideration needs to be given to situations where this may not always be desirable or meet end user preferences. As another example, for regular transactions such as a business paying salaries, or an individual making a bill payment, end users may prefer lower cost, but slower payments. There may be a need to better define the time of "initiation" of a payment for the purposes of the target. In this regard, scheduled payments such as salaries and pensions could also be excluded from the target.[12]

Relatedly, the importance of speed of settlement to participants in a cross-border transaction differs across use case and payment type. For example, in the case of a P2P remittance, the speed of the transfer between accounts – and the speed of accessibility of funds – may be very important to both the sender and the receiver. By contrast, in the case of Retail cross-border payments between an individual and a merchant – whether conducted in-person by a tourist or remotely as part of an ecommerce transaction – the speed of settlement is less relevant.

A range of solutions, such as global card schemes, provide authorization systems allowing trust to be established between the transactional counterparties in real-time, with settlement occurring shortly thereafter (typically two business days later). Delivering faster settlement in these P2B transactions could be very costly, while providing no incremental benefit to the consumer and minimal incremental benefit for the merchant. Given that a significant portion of the cost of faster settlement would ultimately need to borne by the consumer and merchant, it is not clear that such investments would be merited.

Access targets

The meaning of the targets around access needs to be clarified. For example, it is not clear at first sight whether existing correspondent banking relationships count as an 'option' or not – we assume they would, and would appreciate confirmation of this point.

A related point is that the official sector should be focused on ensuring broad and non-discriminatory access to key public infrastructure, rather than to mandating the availability of particular cross-border payment solutions or other aspects of market microstructure.

For example, the consultation requires that all Retail payments "end-users … have at least one option (in terms of infrastructure and providers) for sending or receiving cross border payments." Confirmation is sought if this target is set at a market level or individual provider level. If the latter, this would be dictating the strategy of providers and potentially see domestic providers retrench from the market.

There may also be trade-offs between cost and access, such that effectively forcing FIs to enter or maintain "options" where there is little or no client demand for them and therefore no economic incentive for the FI, risks increasing cost which must be amortized across all payments processed by the FI.

The access target as currently framed may also be difficult to measure. It might be more appropriate to measure the overall financial inclusion and general availability of enhanced cross border payments across the payment ecosystem. For example, improving access to digital banking products or to mobile or digital wallets at the domestic level will bring with it lasting improvements in access to cross-border payments solutions, if it eliminates or reduces the need for recipients to "cash-out" receipts. Those inclusion drivers, that are not at present addressed by any of the building blocks, are a substrate on which the access targets could be

[12] See also our response to question 2 concerning payments involving governments.

additive. Alternatively, additional building blocks designed to drive digital financial inclusion (in G20 countries or beyond) could be adopted.

Transparency targets

We are generally supportive of the transparency targets, with some caveats. Getting the transparency piece right should drive changes in market dynamics that can be expected to drive costs down.

Generally, members are supportive of the concept of transparency targets, and tend to see increasing transparency as one way to increase the effectiveness of competition in retail payments. Enhanced user transparency can be expected to increase the ability of consumers to 'shop around' and to increase competition around price and speed in particular.

The FSB proposes that across the Wholesale, Retail and Remittance segments, "all payment service providers to provide at a minimum a defined list of information concerning cross-border payments to payers and payees (including e.g. total transaction cost (showing FX rate and currency conversion charges), time to deliver funds, funds tracking, and terms of service) by end-2027."

IIF members would urge that further effort be made to define the minimum data set carefully at the global level, to avoid fragmentation, and give a suitably long lead-time to national/regional regulators and industry actors to implement. This could potentially be work done by the CPMI, and in any case should be subject to a further consultation exercise once detailed proposals are worked out. The work should be informed by an assessment of market practices and the needs of different end-users and the information available within the domain of the payment provider. The model should also allow for flexibility in the provision of the most meaningful information to customers, at a low cost and to monitor and incorporate new payments use cases over time.

Some members observe that it is not clear that all elements necessary for transaction-level transparency will be available even assuming implementation of all the building blocks set out in the road map. Unless there is harmonization of the minimum set of data elements required along the chain, reaching into domestic payments legs, some data elements required to be disclosed to user may not be able to be disclosed e.g. total transaction cost, time to deliver funds, funds tracking, and terms of service.[13] In such cases, if transaction-level disclosure is not feasible, some elements of transparency should be able to be delivered through aggregate or general disclosures.

Any "gold plating" of transparency requirements (e.g. by adding additional data fields) by different jurisdictions may divert the effort to standardize this aspect, and could give rise to significantly increased implementation costs as systems are tailored and tweaked by geography accordingly.

IIF members also agree that costs applied by intermediary providers to payees are a serious issue of cost transparency that needs to be addressed, and that there may be an issue of transparency of FX conversion rates by the payer's and payee's providers also.

Having said that, members also believe that online and offline currency conversions should be subject to the same transparency measures if they are made by payment service providers, and carry fees and charges.

[13] There may be elements of the harmonization exercise undertaken as part of the Single European Payments Area that could be instructive.

There may be strong synergies between aspects of transparency and cost. Some members note that broad ISO 20022 and SWIFT gpi implementation ought to be effective in reducing failures and repairs, as well as to help FIs to comply with new transparency expectations (whether set by targets or as a matter of increasing consumer expectations). Lack of consistency of data sets at ingestion leads to failures and repairs, both big drivers of costs through the need for manual processing.

Some members caution that adoption of ISO 20022 is not enough; there also needs to be harmonization and rules for adoption to prevent a fragmented approach. Additionally, there needs to be a focus on ensuring data quality within ISO 20022 messages with usage of dedicated fields and movement away from free formats for information transfer. As much as possible, this should be a globally standardized effort so as to not create interoperability issues across countries and potentially increase friction points.

On the other hand, increased transparency of payments – particularly the ability to track payment flows – may to some extent substitute for speed increases, and may be preferred by consumers if faster speeds come with higher costs. This is another area where authorities should take care to avoid dictating consumer choices.

We also note a comment made at the FSB round table held on June 30th that the US has had mandated fee transparency for many years for certain types of payment, but that such requirements may be of limited effects for payments in open networks (such as correspondent banking networks stretching beyond the G20 countries) rather than closed networks. Members suggest that mandated transparency may have driven up costs in that market. Transparency targets therefore need to be well balanced so not to further drive up cost for compliance but to achieve a level of transparency that fulfils client demand and enables healthy competition.

4. Do you agree with the proposal in the definition of the market segments to separate remittance payments from other types of cross-border person-to-person (P2P) payments because of the greater challenges that remittances in some country corridors face? If so, can you suggest data sources that can distinguish between the two types?

We agree that remittance payments should continue to be subject to the separate United Nations Sustainable Development Goals adopted by the G20. We also would point out there are definitional difficulties in separating P2P payments from remittances. We suggest that for present purposes, remittances are considered to be lower-value P2P payments for other than business purposes, while noting that there are other definitions in the public domain.[14]

We would also point out that given that AML/CFT regulation appears to be a key driver of cost for all P2P transactions (high or low value), some non-remittance P2P payments along high risk corridors will incur higher costs than remittances in low risk corridors.[15] There may

[14] E.g. "Low-value transfers of money between individuals (P2P) typically to family members/friends abroad, which may be recurring or non-recurring" (page 6 of the consultative document); compare International Fund for Agricultural Development and World Bank Group (2015), The use of remittances and financial inclusion: "Remittances: Cross-border, person-to-person payments of a relatively low value. The transfers are typically recurrent payments by migrant workers to their relatives in their home countries. Remittances are – first and foremost – a private flow of funds between family members." Compare IMF (2020), Remittances: Funds for the Folks Back Home: "Remittances are typically transfers from a well-meaning individual or family member to another individual or household. They are targeted to meet specific needs of the recipients and thus tend to reduce poverty."

[15] Corporate and bank respondents to a 2018 survey indicated they had collectively spent an average of 3.1% of global turnover over 2018 to prevent criminal intrusion into their group wide operations, equating to USD 1.28 trillion. See Refinitiv, May 2018, Revealing the True Cost of Financial Crime: 2018 Survey Report at p. 5; cited in IIF – Deloitte (2019), The global framework for fighting financial crime, at p. 05.

therefore be a case to treat P2P payments of higher value in high-risk corridors as equivalent to the 'remittances' category for the purposes of the targets.

5. Are the proposed numerical targets suitable? Are they objective and measurable, so that accountability can be ensured by monitoring progress against them over time?

See our comments on question 3 and in the covering letter.

It would be necessary to take account of additional resources required for measurement when the way of measuring is considered. It should be avoided that the way of measuring gives rise to increase in costs of payment services, market oligopoly and further decline in correspondent banking relationships by facilitating market withdrawal of small and medium sized service providers.

6. What are your views on the cost target for the retail market segment? Does it reflect an appropriate level of ambition to improve on current costs while taking into consideration the variety of payment types within the segment?

See our comments on question 3 (General points and Specific comments: Cost targets) and in the covering letter.

Should reference transaction amounts be set for the target (in the same way as $200 has been set for the current UN Sustainable Development Group targets for remittances) and, if so, what amount would you suggest?

The FSB is encouraged to undertake a study of the median retail payment across the various use cases or value thresholds, and set a weighted average reference price at that median point.

7. What are your views on the speed targets across the three market segments? Are the proposed targets striking the right balance between the ambition of having a large majority of users seeing significant improvements, the recognition that different types of user will have different speed requirements, and the extent of improvements that can be envisaged from the actions planned under the roadmap?

See our comments on question 3 (General points and Specific comments: Speed targets) and in the covering letter.

8. Are the dates proposed for achieving the targets (i.e. end-2027 for most targets) appropriately ambitious yet achievable given the overall time horizon for the Actions planned under the Roadmap? Would an alternative and more ambitious target date of end-2026 be feasible?

As already stated, we believe the cost and, to some extent, the speed targets require additional analysis and may need to focus first on interim targets as the continuous assessment process and methodology we advocate is finalized.

We also believe there is a case to push some of the targets further into the future and establish interim targets or 'waypoints'. This would set a credible trajectory, giving the industry and stakeholders the certainty needed to encourage further investment in innovation.[16]

[16] See also our General points in answer to question 3.

9. What data sources exist (or would need to be developed) to monitor the progress against the targets over time and to develop and set key performance indicators? Do you have relevant data that you would be willing to share for this purpose either now or during the future monitoring?

It is important to leverage data sources that are already available at infrastructure / competent authority level as much as possible. This would avoid FIs having to devote time and resources to the implementation of new reporting obligations.

Surveys of individual firms may suffer from patchy reporting, geographical coverage gaps, and double-counting problems, which may be simpler to resolve at the infrastructure level. Therefore, data provision by selected infrastructure where many firms participate could alleviate reporting obligations on individual firms. There may be a case, indeed, for the authorities to "gear up" to tap into network traffic data made available by infrastructures via APIs. The BIS Innovation Hub could hold a "Techsprint" on this topic to ensure the most modern practicable methods are adopted.

When measuring the progress against the targets, supervisors should apply a harmonized data gathering approach to any new data reporting "lift" to enable reporting efficiencies for institutions with global presence.

Any data sharing by firms with the FSB or BIS should be done on an anonymized or aggregated basis to ensure that commercial confidence is maintained (or at least, firms that are willing to provide data should be offered that option). The BCBS Quantitative Impact Study process, whereby banks share anonymized survey data with the BCBS via their national supervisors, may be a suitable precedent. In the 2018 study on central clearing incentives, the BCBS, CPMI, FSB and IOSCO applied such a process to include other types of reporting entities and their supervisors.[17] Given the breadth of the payments ecosystem, such a system should be adapted for present purposes. There may be a case to establish a secure platform whereby unregulated firms, or firms which choose to submit data directly, may submit anonymized data in a secure way.

IIF members have a range of views around the frequency of data collection, with some suggesting an annual reporting exercise and others semi-annual or quarterly. If the bulk of data is collected directly from infrastructures (via APIs or otherwise) or on the basis of existing reporting regimes, firms may not necessarily have to engage in any new data reporting, and clearly this would be preferred by them if possible.

It is important also that regulators are well set-up, both in human resources and IT terms, to make sense of and draw conclusions from the data being reported.

10. Do you have further suggestions or questions about the detailed definition and measurement of the targets and their implementation? Which types of averages can be constructed to help to measure progress?

As mentioned above, one possible mitigant to the risk of retrenchment would be to explicitly set volume-weighted average targets, such that lower-volume (and higher cost) corridors or use cases will not disproportionately affect outcomes. It would be preferred if the average overall cost target (and the highest cost corridor target) applied on a weighted basis, weighted by the *value* transacted rather than the *number* of transactions. This would more fairly reflect the fact that average cost will be significantly below median cost, especially in higher-risk corridors.

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[17] BCBS, CPMI, FSB and IOSCO (2018), Incentives to centrally clear over-the-counter derivatives.

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. These details could be defined as part of the continuous assessment process mentioned above.

11. Do you have any suggestions for more qualitative targets that could express ambitions for the benefits to be achieved by innovation that would be in addition to the proposed quantitative targets for the payments market as a whole?

In addition to the above, we would suggest the FSB with CPMI/BIS and stakeholder input, through the continuous assessment program mentioned, should measure evolutions or developments in, and develop qualitative (or quantitative) targets for:

- digital financial inclusion
- adoption of API-based technologies permitting access to faster payment networks
- provision of forex operations by remittance providers including non-banks
- data quality, e.g. breakages and repair rates
- extent of 24/7 availability of key infrastructure, including central bank operated
- Digital Identity uptake and usage
- adoption of SWIFT gpi in local clearing systems
- adoption of ISO 20022.