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**Via email (only):** [fsb@fsb.org](mailto:fsb@fsb.org)

Australian Payments Network (AusPayNet) welcomes the opportunity to respond to the Financial Stability Board consultative document 'Targets for Addressing the Four Challenges of Cross-Border Payments'.

### **About AusPayNet**

AusPayNet is the industry association and self-regulatory body for the Australian payments industry. In this core role, AusPayNet manages and develops regulations, procedures, policies and standards governing payments clearing and settlement within Australia.

We bring together service providers, government, regulators and end-users to improve the Australian payments system. We do this by promoting competition and innovation, delivering efficiency and controlling systemic risk; this creates a shared purpose that engenders confidence in the payments system. We have over 135 members, including financial institutions, merchants, payment system operators, and other payments industry stakeholders.

In forming this response, AusPayNet has leveraged that membership in consulting financial institutions (primary respondents given the focus of the consultative document), payment system operators, government and regulators on the specific questions raised in the consultative document, to provide a response on behalf of the Australian payments industry.

### **Summary Overview**

Given this is an initial consultation and the short timeframe involved, AusPayNet has provided high-level comments for consideration, both here – in summary – and in response to the consultative document's specific questions (below).

- **Cost:** The cost targets outlined in the consultative document would be a significant challenge given the need to support ongoing and future compliance and regulatory requirements. There is a risk that such cost targets may force established players out of the market and may not incentivise new players to get involved, thus reducing consumer choice. It was also noted that cross-border payments have a heavy reliance on correspondent and beneficiary banks and consequently there will be reliance on these participants to reduce their costs to achieve the proposed cost targets.
- **Speed:** Delivering on the proposed targets will be constrained under today's clearing systems infrastructure, when aligning against major time zones and operating hours. Until such issues are addressed the targets appear overly ambitious.

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<sup>1</sup> the Society for Worldwide Financial Telecommunications Global Payment Innovation.

- **Access:** Access to cross-border payments is not an issue in the Australian context, with multiple choices available to consumers.
- **Transparency:** Cross-border payments using full SWIFT GPI<sup>1</sup> potentially assisted with the transparency requirements. It will be challenging to provide the targeted level of transparency for those payments processed outside of SWIFT.

### Responses to Specific Questions

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

Respondents agreed with the design features and principles and that there are no design features missing.

It was noted by respondents that reference to local laws, regulations and security considerations is absent, and these considerations may have a material impact on the delivery of the targets.

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?

Respondents suggest that market segments should be more broadly aligned to business segments. For example, the corporate segment – and the service expectations that segment has – are more aligned with institutional/wholesale payments than retail payments. Perhaps Wholesale, Large Corporate, Small Business and Retail might better describe the market segments. For example, a greater distinction between large corporate and retail payments in the market segments would better reflect the diversity of cross border payments. An alternate approach may be to utilise an amount threshold to better distinguish segments.

There is broad agreement on the intended clarity of the market segments. However, respondents indicate that the similarity between 'Remittance' and 'Retail' makes them difficult to clearly distinguish. Respondents advised that, in processing electronic cross-border payments historically, Australian banks have not made a distinction between Retail and Remittance payments.

Identification of out-of-scope cross-border payment types for the purposes of these targets would also assist.

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

With respect to cost, the consensus from respondents is that this is an ambitious objective in today's paradigm given growing regulatory requirements. Operating cross-border payments in a cost escalating environment that can at best can only deliver a 1 to 2% return will be a challenge.

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?

As above, respondents agreed that greater definition of remittances would be useful given the similarity between retail and remittance segments in how the market operates.

Respondents provided a variety of views such as:

- make no distinction between remittances and other types of retail payments (it was noted that, were SWIFT GPI used as a data source, it would not be possible to distinguish between retail and remittance payments);
- require additional granular definitions in order to examine whether data sources are available;
- consider additional parameters such as value.

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?

A variety of responses was received from respondents to this question. However, there was consensus that the targets are suitable.

It was further noted that it will be difficult to be accountable for measures that are provided at a regional or global level as this can mask individual non-compliant countries; respondents consequently question the suitability of setting targets at such levels. Accountability is only really tenable at a country level, as opposed to the suggested regional or global levels.

Most respondents acknowledged that where SWIFT is the mechanism for cross-border payments, the numerical targets can be measured and monitored using SWIFT GPI.

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?

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)?

If so, what amount would you suggest?

All respondents believe that the cost targets will be a challenge. The cost of supporting future compliance and regulatory solutions in a global environment of ever-increasing risk, has the potential to make break-even profit margins difficult.

It is noted that not all participants in the Australian context are bound to the same regulatory regime (an example being the ePayments Code) and consequently some participants will incur higher compliance costs than others, which further impacts break-even profit margins. In addition, there is a heavy reliance on correspondent banks, receiving banks and other partnerships to reduce costs, noting that all such partners need to recover costs to support

the product. Similarly, for remittances, costs may be driven by the disbursement option for receiving consumers (mobile wallet, bank account, bricks-and-mortar pick up points).

Respondents further noted that such cost targets, in conjunction with the other targets, may force established players out of the market, and the next generation of disruptors may not get involved because the cost targets provide little incentive to do so, thus reducing consumer choice. Moreover, it was noted that cost targets may also have the unintended consequence of stifling product differentiation and innovation, and may reduce consumer flexibility and choice.

Respondents had no objection to the establishment of reference transaction amounts. It was however noted that the lack of a reference transaction amount has not presented any problems to date in the Australian marketplace. As a result, respondents' preference would be that the market retains the price-setting mechanism, with any regulatory intervention being the last resort.

Respondents did not object to reference transaction amounts being established for retail payments but counsel caution in that such an approach may have unintended consequences, as articulated earlier. The suggested amount would be USD10,000.00.

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?

The consensus view from respondents is that speed targets would be a formidable challenge given many clearing systems, correspondent banks and beneficiary institutions do not process payments 24/7. This is in addition to the known challenges around sanctions screening and other AML/CTF related compliance and regulatory requirements.

Respondents believe that the ability to deliver on the proposed targets will be constrained under today's clearing systems infrastructure, when aligning against major time zones and operating hours. Until such issues are addressed the targets appear overly ambitious.

It is further noted by respondents that, for payments processed outside of SWIFT, end-beneficiary institutions currently have no ability to confirm the credit of instruction to end-beneficiaries.

Differences in service levels, risk appetite and customer protection also need to be considered. The targets need to ensure enough tolerance to enable a competitive and diverse range of cross-border payment providers to meet their target customer needs.

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?

There is broad agreement on the target date of end 2027.

In doing so, respondents noted the challenges facing the industry, such as:

- Global migration to ISO 20022;
- New real-time payment systems;
- Complexity in managing any new payment types/infrastructures between now and 2027; and
- Significant cost and resource constraints for payment development projects (such as those above) both in Australia and globally; and
- Reliance on receiving institutions and receiving country banking infrastructure to achieve these targets.

As a result, there is no support from respondents to bring forward the target date to the end of 2026.

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?

Respondents all noted SWIFT GPI as a potential data source and that other identified cross-border channels/models would require customised reporting to be sourced and developed (and ideally mandated).

All respondents indicated that SWIFT GPI is their only current source of relevant data.

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?

There are no further suggestions or questions with respect to the detailed definition and measurement of the targets and their implementation.

It is suggested by respondents that averages should be country-specific and wherever possible sourced from the relevant service providers (such as SWIFT).

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?

No additional qualitative targets were suggested by respondents.

An additional comment from respondents is that risk appetite needs to be factored in. Whilst some countries have global sanctions and restrictions placed on them from time-to-time, there are also other countries that may not be sanctions listed but may be seen as a risk for other reasons, meaning that some countries/institutions may prefer not to transact with them.

A suggested area for qualitative tracking is the connectivity and digital literacy in each jurisdiction given the cross-dependency/reliance of all other jurisdictions on them.

We appreciate the opportunity to consult with the FSB on this important issue and welcome any further dialogue on the G20 Roadmap for Enhancing Cross-border Payments. Please

contact David O'Mahony, Business Analyst (domahony@auspaynet.com.au) if you have any further questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Andy White", with a horizontal line underneath the name.

Andy White  
**CEO, AusPayNet**