



*Targets for addressing the four challenges of cross-border payments
Replying to the consultative document of the Financial Stability
Board on Cross-border payments*

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Foreword

With this letter, I would like to reply to the invitation of the Financial Stability Board (hereafter FSB) to provide comments on the consultative document **“Targets for addressing the four challenges of cross-border payments.”**

The observations expressed in this document are built upon my long-standing experience acquired both at the domestic and international levels. As the **Managing Director of CBI S.c.p.a**, over the last 20 years, I have been leading the company to define **payment services, digital infrastructures**, and define **standards** to the benefit of the **domestic financial community, corporates, and the Public Administration**.

As per my international experience, I have been also contributing to the activities carried out by several **standard setter bodies**, including the United Nations Centre for Trade Facilitation and Electronic Business (**UN/CEFACT**) as the responsible Vice-Chair for financial services affairs and the ISO Technical Committee on Financial Services (**ISO TC/68**) as the Italian delegate of UNINFO and member of the **ISO 20022 Registration Management Group** (RMG).

UN/CEFACT is a subsidiary body of the United Nations Economic Commission for Europe (**UNECE**), which serves as a focal point within the United Nations Economic and Social Council for trade facilitation recommendations and electronic business standards.

ISO TC/68 is responsible for the development of global standards for the financial services industry. It is responsible for standards that cover core banking, capital markets including asset management, payments, credit card processing, and information security aspects specific to financial services. The committee is organized into three subcommittees. These are SC2 (Information Security), SC8 (Reference Data), and SC9 (Information Exchange).

The **ISO 20022 RMG** is the highest ISO 20022 registration body, which is supervised by ISO TC/68 SC9. Its task encompasses involving financial services actors to facilitate the registration and maintenance of high-quality



globally relevant ISO 20022 compliant business models for the exchange of information for financial services.

a. CBI S.c.p.a

CBI S.c.p.a (www.cbi-org.eu) is a public limited consortium company, which comprises more than 400 Payment Service Providers (hereafter PSPs) as shareholders and customers. Due to its role of **industry utility** given by its constituency, over the last 20 years, CBI has realized **digital services, IT infrastructures**, and **standards** to the benefit of the Italian Banking community and the Public Administration.

The company was established in 2001 under the aegis of ABI (the Italian Banking Association) to provide multi-banking corporates with a cash management functionality, namely the **CBI service - Interbank Corporate Banking** (www.cbi-org.eu/CBI-Service). The latter is addressed to multi-bank corporates and enables the exchange of financial messages between corporates and banks, through a unique front-end solution. Thanks to the CBI service, companies can easily make SEPA credit transfers, cross-border, and instant payments, collect electronic bank receipts and align direct debit records, besides transmitting documents and electronic invoices. With regard to the CBI service, CBI has defined more than 50 standard messages related to payment, information, and exchange document functionalities that are used by the Italian banking industry on the CBI network. Implemented from a Business to Business to Consumer (B2B2C) perspective, thus far, the CBI service is used by around 3 million corporates.

In 2009, CBI expanded the scope of its activities, giving light to the **Central Public Administration Access Point Service**¹. The latter aims to facilitate the communication between Central Public Administrations and the financial industry, thus turning CBI into a bridge between different ecosystems.

With a view to providing a set of interoperable payment services, in 2016 the company launched an e-billing and presentment multi-bank and multi-

¹ For further information on Central Public Administration Access Point Services, please visit the following webpages of the CBI website: <https://www.cbi-org.eu/Services/E-invoicing>; <https://www.cbi-org.eu/Tax-Registry>; <https://www.cbi-org.eu/Services/Single-Justice-Fund>; <https://www.cbi-org.eu/Services/Financial-Monitoring-Project>; <https://www.cbi-org.eu/Services/I24-en>



channel functionality, namely **CBILL** (www.cbill.it). To date, around 70 million payments have been made by 7 million citizens through CBILL towards the Public Administration and private billers.

In line with the recent international data sharing trends, the company has been also developing Open Banking services. In 2019, CBI launched **CBI Globe** (www.cbiglobe.com) – Global Open Banking Ecosystem – an **API Reg Tech Platform** that supported 80% of the domestic banking community to be compliant with the revised EU payment service directive (PSD2). In 2020, CBI also equipped CBI Globe with **active functionality**, which allows PSPs to perform the role of Third-Party Providers (TPPs).

Through CBI Globe, CBI has developed a few value-added services. In 2020, CBI gave light to an anti-fraud functionality, **Check IBAN** (<https://www.cbi-org.eu/Services/Check-IBAN-en>), which allows both the Public Administration and corporates to verify online the correctness of the association between an IBAN code with the fiscal code or VAT number provided by a natural or legal entity. The functionality was implemented in July 2020 to support Italian public governments to deliver fiscal bonuses to those citizens and enterprises who suffered the financial consequences of the Covid-19 crisis. Over the last few months, CBI has made the service available to the private sector, thus enabling corporates to benefit from the possibility to verify real-time the IBAN and fiscal code or vat number of a user willing to sign a contract or subscribe to a service.

Taking into account the new trends stemming from Open Finance, CBI is also developing a data fetching functionality. The **Smart Onboarding** service simplifies onboarding activities performed by corporates, enabling banks to transfer customers' data to other organizations, after having obtained the consent of the consumer. Smart Onboarding should be available at the end of 2021.

In line with the standardization activities carried out by the European Payment Council, CBI is also developing a value-added service that foresees the **application of the Request to Pay to the CBI Service**. According to the European Payment Council, the Request to Pay is a way to request a payment initiation as it sets operating rules and technical elements (including



messages) that allow a Payee to claim an amount of money from a Payer for a specific transaction.

Within this context, multi-banking corporates that have adopted the CBI service would be able to accede to the Request to Pay functionality through an Access PSP. In the updated version, the CBI service allows the exchange of payment messages with the banks performing the role of Executing PSP, which also acts as the Payee's Request to Pay Service Provider, presenting the request to pay to the payer's PSP. It is the task of this PSP to inform the payer of said request, whereas the payment is out of the scope of the Request to Pay functionality. Thus far, CBI has been working to develop the technical standards related to the flow of Request to Pay messages between the Access and Executing PSPs.

b. Considerations based on the document "Enhancing cross-border payments"

The answers provided to the questions of the consultative document are based on the analysis of the report "Enhancing cross-border payments" issued by the FSB on 13 October 2020.

Before going through the questions of the consultative document, I would like to make a point on governance mechanisms. In my opinion, the FSB will need to maintain **strong governance** to meet the targets proposed in the document "targets for addressing the four challenges of cross-border payments".

I am aware of the establishment of the **Cross-Border Payment Coordination group** (hereafter CPC), whose work has been instrumental in the development of the roadmap on cross-border payments.

For the FSB to successfully achieve the targets on costs, speed, access, and transparency, it is essential that the **CPC** will keep **liaising with public authorities of the jurisdictions comprised within the FSB**. Furthermore, the achievement of the proposed targets needs the **involvement of private stakeholders**, who will have a primary role in supporting and implementing the FSB roadmap policy objectives. When planning to achieve the targets of the consultation document, it is important that the FSB make sure that **banks**



will retain their intermediary capacities, thus enabling them to face the increasing competition of large technology companies (i.e. Big Tech) operating in the financial market.

Concerning governance, I would also underline the importance for the CPC to **liaise with other Standard-Setting Bodies** (SSBs), including the ISO Technical Committee on Financial Services (**ISO TC/68**). This liaison would be pivotal for **global coordination between policymakers and standard-makers**, allowing the international financial community to enjoy an enhanced level of **interoperability**. This option would also be in line with the cross-border payments roadmap and, more specifically, with the building block 4 – *align regulatory, supervisory, and oversight frameworks for cross-border payments*.

Engaging this variety of stakeholders should also lead them to **accountability**. The CPC should ensure that those who commit to the improvement of cross-border payments worldwide should effectively and proactively engage over time. Therefore, I deem it important to emphasize accountability as a parameter of paramount importance for the achievement of the targets on cost, speed, access, and transparency.

I agree with the idea that CPC should be able to smartly operate, ensuring **flexibility** if other challenges arise as a top priority or other features emerge as relevant elements to be taken into account.

The endorsement of the G20 in the October 2021 summit will be a key element to guarantee a globally recognized political commitment to the proposed targets of this consultative document.

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?

I **agree** with the **proposed key design features**. I would emphasize the importance to establish goals that are set on **users' experience** in order to ensure a constant alignment between the targets proposed by the FSB and market practices.



Furthermore, I find myself in line with the idea to **set a limited number of goals to be achieved over time**. This option may facilitate monitoring activities, thus strengthening the degree of accountability of the stakeholders that are involved in the achievement of the “Targets for addressing the four challenges of cross-border payments”.

Considering the ongoing transition which is occurring within the banking sector from SWIFT to ISO 20022 standards, **it would be worth it to add a target on data quality**. This option would also be in line with Building Block 6 – *Reviewing the interaction between data frameworks and cross-border payments* - and building block 14 – *adopting harmonized ISO 20022 version for message formats*.

Concerning building block 14, I would like to underline the relevance of action 2, which is about **developing standard global ISO formats for cross-border payments**, thus assessing the “*suitability of existing formats for cross-border payments other than credit transfers*” and “*developing a common set of fields that would be standard for cross border payments messages to minimize the variances across jurisdictions*”.

I would also be in favour of promoting action 3 of the same building block to **develop country-level plans for the adoption of global ISO 20022 standard for cross-border payments** as well as action 4 on the development of **guide and policy measures to ensure implementation of ISO 20022**.

As a member of the ISO 20022 Registration Management Group (**RMG**), I am aware that the new leadership is redefining the strategy of the group with the aim to provide a contribution also to the **definition of cross-border payments messages**. In my opinion, it would be highly beneficial for the whole financial community whether the **FSB could indicate the way forward on cross-border payments to the ISO 20022 RMG**, underlining the business requirements and standard messages to be realized by ISO 20022 RMG in this domain.

With a view to enhancing the quality of data, I would also suggest using ISO TC/68 standards beyond compliance. For example, the ISO standard 17442, the Legal Entity Identifier (**LEI**), provides high-quality data of legal entities



involved in financial transactions. On this point, I would like to recall the relevance of activities carried out by the Global Legal Entity Identifier Foundation (**GLEIF**), which is also mentioned by the Building Block 16 – *Establishing unique identifiers with proxy registers*.

In my opinion, it could be wise to incentivize the use of the LEI beyond the over-the-counter derivatives and securities domains to improve the quality of data that are shared worldwide. This option would also increase the level of transparency and risk management of international financial markets.

Therefore, it could be beneficial if international and national legislators pave the way for increased use of the LEI in cross-border payments through the drafting and adoption of **bespoke regulatory frameworks**.² Conversely, I would **avoid endorsing moral suasion** as it could lead to **different approaches** worldwide, provoking a scarce degree of interoperability of cross-border payments.

Overall, I believe that using standards developed and published by ISO TC/68 would increase the level of **interoperability** of the international banking and financial sector.

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?

I think that the **description of the three market segments is sufficiently clear** to provide the reader with an adequate degree of understanding of remittances, wholesale, and retail payments.

I would also confirm that the description provided by the document **reflects the diversity of cross-border payments and deliver at the same time a common vision for addressing the four identified challenges** (costs, speed, access, and transparency).

² This observation is built upon the Italian experience related to the theme of e-invoice. The lack of a bespoke regulatory framework imposing its use had led the industry to adopt different approaches, provoking market fragmentation. The Italian legislator has adopted two laws (2008 and 2017), that imposed respectively the obligation to use e-invoices for payments made in the Business to Government (B2G) and the Business-to-Business (B2B) domains.



Therefore, I would not specify further market segments. Furthermore, maintaining these three segments would allow all stakeholders willing to engage in the consultation to easily recognize the field of their interest.

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

Target metrics provide additional information to the proposed principles and design features.

Going through the document, it is possible to retrieve data on the different payment sectors and related obstacles. However, I think that **having more information about the different geographical areas and the extent to which certain regions ensure better conditions in terms of costs, speed, access, and transparency of cross-border payments could be of help to evaluate in which countries necessary adjustments are more needed**. This option would be in line with Building Block 1 – *developing a common cross-border payment vision and targets* – of the FSB roadmap. On this point, it is worth recalling that action 3 on data collection and analysis to monitor progress against the targets, makes an explicit reference to Key Performance Indicators (KPI) to be developed between October 2021 and June 2022.

An additional element could be to refer to **short and mid-term objectives** as outlined in the FSB roadmap. Having in mind short and medium-run goals would lead the international financial community to achieve the targets explained in the FSB consultative document.

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?

N/A



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?

I believe that the numerical targets proposed by the FSB are **ambitious**.

Speeding up payments could be beneficial both for the demand and supply sides. Increasing the **speed** of cross-border payments, guaranteeing that 75% of international transactions can be processed within one hour from payment initiation can incentivize their use on a global stage. On this point, it will be crucial to get the information by clearing and settlement mechanisms, which could provide advanced details on speed-related matters.

I also deem it relevant to recall action 3 of Building Block 1, which refers to the necessity to define KPIs. These parameters would facilitate gauging the numerical targets, thus understanding whether they are feasible.

This reasoning can be used, for example, to target metrics related to access for wholesale payments. In this case, it would be useful to have **quantitative parameters to understand what currencies are eligible for settlement in multilateral settlement systems**. Similarly, more updated information on the decline in corresponding banking relationships would help to understand if the proposed numerical targets for wholesale payments are plausible by 2027.

About **transparency**, there is no doubt that the latter constitutes an added value for all cross-border transactions. However, it should be noticed that providing **more transparency** could entail **higher investments** for financial institutions delivering payment services. In order to provide more information, PSPs have to set up tools, such as **dashboards**, to gather and display data as well as allocate full-time equivalents to **report on analytics**. Therefore, transparency requires economic resources and human capital to perform the above-mentioned types of tasks, which would inevitably raise the industrial cost of payment transactions.

In order to provide a few examples of the type of information that a PSP could share with the payees and payers, it could be helpful to recall the



recommendations issued by the Euro Retail Payments Board (ERPB) to improve the transparency of eurozone retail payments end users.

The ERPB identified the need to facilitate, from a consumer's payment account statement or online application, a few data, including the name of the payee of a credit transfer, the date and place from which a payment is made. From a Consumer to Business (C2B) and Person to Person (P2P) perspective, the ERPB suggests that the commercial trade name of the payee should be used all along the payment chain since this name is the most easily recognised by the consumer. Furthermore, the ERPB affirms that payment account statements should indicate the exact geographical location where the transaction takes place and the date and time of the transaction as known by the consumer.³

However, taking into account the costs stemming from enhancing transparency, PSPs should be enabled to **share only the necessary information.**

Therefore, it would be **relevant for the FSB to set cross-border related information that should be disclosed by PSP to payers and payees.** Knowing these data would also enable the FSB to have additional details on the feasibility of numerical targets related to transparency.

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) and, if so, what amount would you suggest?

Reducing the costs of cross-border payments could spread their use. However, costs and use are not linked by a **cause-effect relationship.** In my opinion, it would be rather worth it to increase people's **financial literacy**

³ Euro Retail Payment Boards, Statement following the fifteenth meeting of the Euro Retail Payments Board held on 28 June 2021, 28 June 2021, p. 1



to allow consumers to understand the value, benefits, and opportunities stemming from this product.⁴

It is worth mentioning that the payments value-chain is composed of different Financial Institutions and PSPs. These players have to **uphold the costs of investments for the setup and maintenance of IT infrastructures** that enable the functioning of cross-border payments. In order to reduce the costs of international transactions, **PSPs should recover the investments** they have upheld to set up the infrastructures supporting this type of product.

Furthermore, if **PSPs are requested to increase the speed and the transparency of cross-border payments**, they would be likely to face **higher costs**. Hence, it seems difficult for PSPs to concurrently guarantee lower costs, a higher degree of transparency, and faster payments.

Therefore, the FSB and Public Authorities could envisage **funding options** to support financial service providers in reducing the costs of cross-border payments. Should governments provide economic resources to back the financial community in setting up and maintaining cross-border payment infrastructures, PSPs and Financial institutions could reduce the costs that end-users pay to benefit from this type of product. **Otherwise**, banks and financial institutions would likely need to cover the **costs** for the supply of cross-border payments raising the prices to the detriment of **final users**.

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 users will have different speed requirements, and the extent of improvements that can be envisaged from the actions planned under the roadmap?

⁴ Prices' reduction could incentivize the use of a service, such as cross-border payments. But this result cannot be automatically guaranteed as different factors need to be taken into account. In my opinion, it could be worth it to understand cross-border payments price elasticity to gauge the responsiveness of this type of service after having reduced its price. Otherwise, one could affirm that people would be more incentivized to read more if offered free books. Even in this case, more details should be considered to make a comprehensive analysis.



The pandemic has increased the use of digital technologies worldwide. Even financial services have benefitted from the opportunities stemming from advanced technologies, including cloud networks and application programming interfaces (APIs). These technologies could support the payments industry, accelerating the speed of credit transfers around the globe.

On the other hand, **speed should always be linked to the security of payments**. Even when the time to make a payment is reduced, it is necessary to ensure high-security standards. In my opinion, this consideration is in line with the Building Block 5 – *Applying Anti-Money Laundering (AML)/Counter-Terrorism Financing (CTF) rules consistently and comprehensively*. Cross-border payments should always guarantee a harmonized application of AML and CTF rules, regardless of the speed of payments. If payments processed in one hour should not guarantee the full respect of **AML and CTF** parameters, the financial community should ponder on a new and more realistic objective.

To corroborate this point, I would also emphasize the content of Building Block 12 – **Extending and aligning operating hours of key payment systems to allow overlapping**. I agree with the idea of the Committee on Payment and Market Infrastructure (CPMI) *to set out potential future end-state of key payment systems operating hours and how these could enhance cross-border payments and to identify any risks including: operational, cyber and fraud, credit, and liquidity; and monetary policy considerations, financial structure and financial stability considerations, resolution policy consideration for each end state*.

Overall, it would be beneficial for the whole payment industry (both the supply and demand sides) to have **75% of cross-border payments** processed in **one hour**. However, this objective should be gauged in terms of feasibility according to the **current performances of payment infrastructures**. Furthermore, PSPs should always guarantee **compliance with AML and CTF rules**. Should these two elements be respected, the target date 2027 would provide PSPs and Financial Institutions enough room to adapt to the way forward.



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?

Target dates should be linked to the complexity of each challenge according to the state of the art of each country that wishes to align to the targets.

Referring to the Roadmap comprised in the document “Enhancing Cross-Border Payments”, it is possible to make the cases of Building Block 10 – *improving access to payment systems by banks, non-banks, and payment infrastructures* – and Building Block 12 - *Extending and aligning operating hours of key payment systems to allow overlapping*. These building blocks make specific references to actions that will be carried out in the second half of 2021, if not in 2022 and 2023.

Considered the state of the art of the activities outlined by the roadmap, it appears premature to gauge whether 2027 is a plausible date for achieving access, speed, and transparency-related targets. In my opinion, it would rather be wiser to postpone any considerations on target dates according to the timeline foreseen by each Building Block related to the four challenges.

Additionally, to evaluate whether 2027 is a feasible target date, the **FSB could** provide further **project management details** to the roadmap. To this end, it could be useful for the FSB to deepen the **operational details** of the **roadmap project streams**, thus **raising awareness on the goals to be achieved, providing additional metrics to gauge objectives**, and **considering the suitability of target dates**.

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?



On this point, I believe that the **CPC** of the FSB would benefit from drafting a **survey to be addressed to Central Banks, PSPs, national Banking associations, and related stakeholders**. The goal of the survey should be to **gather data** concerning cross-border payment operations that are performed by these actors. Such a kind of survey could be **updated on annual basis** to monitor the progress made by the stakeholders involved in the achievement of the targets on cost, speed, access, and transparency of cross-border payments.

This tool would help the FSB to get an overview of the state of the art of each clearing and settlement structure as well as payment initiation operator acting in each country, thus delineating the way forward to achieve the cross-border payments targets.

All in all, I would again underline the importance of setting project streams to implement the roadmap, as outlined in the previous answer.

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?

Whereas the definition and measurements of targets are clear for cost, speed, access, the **document could be enriched with further details on transparency targets**.

On this point, I would like to recall that it could be highly unlikely for bank and non-bank PSPs to increase the amounts of investments to enhance transparency and concurrently reduce costs of cross-border payments applied to customers. Moreover, with the establishment of innovative economic paradigms, including Open Banking and Open Finance, new players have started offering services in the financial market. These players, including, for example, Fintech and Bigtech, have the advantage to do not be forced to be compliant with strict regulatory frameworks as banks do. Therefore, legislators should work to guarantee a level playing field among incumbent and new financial service providers, especially when it comes up to transparency.



These observations lead me to think that it would be of help to clarify the minimum data that PSPs will be asked to share with payees and payers as this aspect will have an impact on the investments that these players should uphold in the future.

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?

Talking about qualitative targets, I think that the FSB could evaluate whether to launch a reflection on the **degree of attention by banks and financial institutions towards the proposed targets at the global level**. This aspect could be measured by assessing the **constituency of PSPs and central banks wishing to align to the targets proposed by the FSB**.

To this end, it could be worth it for the FSB to draft and submit a **survey** to be shared with the aforementioned players with the aim to understand the **level of acceptance of certain objectives** and the **starting point of each geographical region**. Therefore, I would suggest pointing out the definition and introduction of **quantitative metrics to be monitored through bespoke project streams that could identify further actions and target dates for each country**.⁵

In order to guarantee the achievement of the targets related to the four challenges, it would be desirable if the FSB could coordinate cross-border payments project streamlines. Centralized planning should comprise actions to be concurrently carried out at the national level, according to the state of the art of each country. In my opinion, this scenario would ensure interoperability worldwide while considering national specific needs.

⁵ Examples of metrics could consist in the overall number of PSPs and Financial institutions working to ensure compliance with the goals set by the FSB, the number of IBANs discrimination occurring worldwide, the average costs for cross-border retail payments in different geographic regions, the average costs for PSPs to develop services and tools to share transparency-related information with payers and payees.