

# Report on Targets for Addressing the Four Challenges of Cross-Border Payments

## Overview of responses to the consultation

On 31 May 2021, the FSB published, for public consultation, proposals for quantitative targets at the global level for addressing the challenges of cost, speed, transparency and access faced by cross-border payments.<sup>1</sup> The FSB received 43 responses to the consultation which ended on 16 July 2021 (with 6 respondents asking for their answers not to be published). Respondents comprised: regulated financial institutions [6], trade associations representing payment industries [7], non-bank payment service providers [6], trade associations representing regulated financial institutions [7], private financial market infrastructures [6], non-governmental organisations [2], providers of payment technology solutions [4]; others [5].<sup>2</sup> Almost all the comments received were therefore from payments industry participants rather than end-users whose experience the targets aim to improve.

Respondents were generally supportive of the initiatives underway to enhance cross-border payments and in particular stressed the importance of public-private sector cooperation and collaboration as critical to the success of the targets. Respondents were also broadly supportive of the key design features that informed the choice of targets and the target metrics proposed in the consultation.

While respondents were broadly in agreement with the market segments as described in the consultation, some respondents said they were not aligned with business segments and that corporate payments of wholesale market size, currently included in the retail segment, might better fit in the wholesale segment. While some respondents expressed support for the principle to differentiate between remittances and other types of cross-border person-to-person (P2P) payments due to the differing needs and specific challenges of remittances compared with other P2P, others emphasised the difficulty of distinguishing these segments of gathering data was emphasised.

Some respondents expressed concerns about various aspects of the proposed targets, highlighting regional differences that could impact global average costs and warning of the possibilities of unintended consequences in meeting them (for instance, through efforts to increase speed creating issues for cost, or efforts to reduce cost creating issues for access, or through increasing compliance risk). They also considered that a number of terms and

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<sup>1</sup> FSB, *Targets for Addressing the Four Challenges of Cross-Border Payments: Consultation Report*, May 2021.

<sup>2</sup> <https://www.fsb.org/2021/07/public-responses-to-consultation-on-targets-for-addressing-the-four-challenges-of-cross-border-payments/>

concepts in the consultation could benefit from additional clarification while requesting further detail on how certain targets were arrived at. A majority of respondents considered the proposed end-2027 date for most targets as very ambitious or challenging although a minority suggested an earlier target date was possible. When considering how progress against the targets could be monitored, respondents stressed the importance of limiting the cost and burden for industry from data collection; they suggested using existing data sources as much as possible and anonymising the data to address confidentiality concerns related to use of commercially sensitive data.

Having considered the feedback and suggestions received, some amendments and clarifications were made to the final targets report, including the following:

- The report makes clearer that the targets are intended to express the outcomes that are being aimed for under the roadmap and that they are intended to encourage greater awareness and competition towards these global goals. The report further elaborates that the intention in setting the targets is to reinforce momentum by expressing the outcomes being aimed for under the Roadmap in terms of improved end-user experience and thereby to encourage the focus on practical enhancements to cross-border payment arrangements. Private and public sector involvement and action will be key in achieving these targets.
- A number of terms and concepts have been further clarified in the report to assist in understanding and to avoid confusion. Definitions of ‘business days’ and ‘payment initiation’<sup>3</sup> have been included or refined with the latter providing clarity on the scope of the end-to-end payment journey to which the speed targets apply. The components of costs have also been further clarified.
- Certain individual targets have been amended as shown in the track-changes:
  - 1) **Wholesale/ Speed:** 75% of cross-border wholesale payments to be credited within one hour of payment initiation<sup>4</sup> or within one hour of the pre-agreed settlement date and time for forward-dated transactions<sup>5</sup> and for the remainder of the market to be within one business day<sup>6</sup> of payment initiation, by end-2027. Payments to be reconciled by end of the day on which they are credited, by end-2027.
  - 2) **Retail/ Speed:** 75% of cross-border retail payments to provide availability of funds for the recipient within one hour from the time the payment is initiated<sup>7</sup> and

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<sup>3</sup> See footnotes below under individual target amendments

<sup>4</sup> For this purpose, a wholesale payment is considered initiated at the moment of entry into a payment infrastructure or correspondent bank as defined by their applicable rules.

<sup>5</sup> The settlement date and time are agreed and contracted between the two counterparties of the transaction at the point the transaction is agreed. On this date and time, there will be an exchange of payments between counterparties in each of the currencies contracted for exchange.

<sup>6</sup> In cases where the hours or dates of the business days in the locations where the initiation and receipt do not coincide, the payment should be credited within a period that, in each location, includes one business day.

<sup>7</sup> For this purpose, a retail or remittance payment is considered initiated when the payment order is received by the payer’s payment service provider. The transaction is considered complete once the recipient is able to access the funds.

for the remainder of the market to be within one business day of payment initiation, by end-2027.

- 3) **Remittance/ Speed:** 75% of cross-border remittance payments in every corridor to provide availability of funds for the recipient within one hour of payment initiation<sup>8</sup> and for the remainder of the market to be within one business day, by end-2027

- Other targets have been amended as follows:

- 4) **Wholesale/ Access:** further elaboration of the target to clarify that all financial institutions in all payment corridors should have at least one option to make and receive payments themselves, rather than they should provide more than one option to customers.
- 5) **Retail/ Access:** changed to clarify that the target is for end-users to have more than one option in the market as a whole, rather than more than one option from an individual provider.
- 6) **Transparency:** the minimum defined list of information has been included.

- The report includes greater details in regard to how numerical targets were arrived at.
- More precise definitions are included in the report for the market segments, in particular for wholesale and retail payments highlighting the separation based on their purpose and nature rather than size of payments and more granular explanations are provided on the split of remittances from other types of cross-border P2P payments.
- A new section has been added to the report outlining the proposed implementation approach for monitoring progress toward the targets including principles, such as the use of existing data and data collection processes where possible and the aggregation of data to safeguard commercially sensitive data.

In some other cases comments, after careful consideration, were not taken on board. For instance:

- The targets for the retail sector have not been further subdivided into different targets for different types of retail customer, as some public commenters suggested. This has been done in order to keep the targets simple and small in number.
- Targets continue to be set at the global level, in common with the global scope of the Roadmap. Some commenters had expressed concern that using global average costs could cause industry participants to focus on reducing frictions in high volume corridors. However, the accompanying targeted ceilings for costs in individual cross-country corridors aim to ensure that low volume corridors are not left behind.

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<sup>8</sup> See footnote 6.

Set out below is a summary of the responses received to the 11 questions asked during the consultation.

## Summary of responses to consultation questions

### General comments

Many respondents provided general comments either in lieu of or in addition to their responses to the individual questions. Respondents were generally supportive of the initiatives underway to enhance cross-border payments and the majority stressed the importance of public-private sector cooperation and collaboration as critical to the success of the targets. One respondent further stressed that, to successfully meet the targets, strong governance and communication with other standard-setting bodies (SSBs) would be required in taking forward the other building blocks. Some respondents emphasised the importance of making progress on the individual building blocks of the roadmap in order to attain the targets. In particular, several respondents highlighted that progress under Building Block 4 on 'aligning regulatory, supervisory and oversight frameworks for cross-border payments' will be important to achieving the targets.

A number of respondents expressed general concerns with the targets proposed. Some highlighted a need to consider regional differences, local consumer preferences and cultural norms while noting that using global average costs could cause industry participants to focus on reducing frictions in high volume corridors. Some respondents further noted that there could be significant costs for industry in meeting the targets if they require setting up new systems or result in temporarily increased operational costs. Some respondents further warned of the possibility of unintended consequences in meeting the targets including the possibility of increased financial crime incidents such as fraud or potentially stifling innovation. Divergences also arose between those who believed the timelines proposed are not ambitious enough, typically new entrants, versus more established players who considered them too ambitious.

Respondents raised several issues in relation to implementation of the targets with greater clarity and elaboration of this approach requested by some. A few respondents considered that it would be helpful to use existing sources for data required for monitoring progress against the targets while stressing that the confidentiality of commercially sensitive data must be preserved.

### **Question 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?**

Respondents were broadly supportive of the key design features that informed the choice of proposed targets and did not see any major omissions. Respondents especially backed the focus on the four challenges facing cross-border payments, which were viewed as correctly identified, as well as the focus on the end-user experience.

That said, some respondents preferred targets with stronger links with the programme's building blocks and frictions as opposed to the more outcomes-based targets proposed. Some

respondents also desired more granularity in some of the metrics to better reflect the complexity of the ecosystem and the fact that implementation will be expected to occur at the regional and local levels. Some also noted the importance of using data that is clear and easy to collect and does not add to reporting burdens. Finally, some respondents noted that end-users and their preferences would need to be more clearly defined as these could vary significantly.

**Question 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?**

Overall, respondents were broadly supportive of the market segments as described, although some respondents suggested better alignment with business segments could be considered. A minority of respondents suggested the name of the market segments be changed to make them more in line with their definitions. More specifically while corporate payments of wholesale market size are currently included in the retail segment, many actors would see them as better placed in the institutional/wholesale payments segment.

Attention was raised by some respondents to the difficulty in distinguishing between remittances and retail payments, as many PSPs do not make this distinction. Overall, some suggested that the description of the segments require further detail. In addition, more detailed segments could enable a more granular assessment of the observance of targets. For example, the retail segment encompasses everything from small P2P payments to huge raw material international exchanges, with different challenges attached. A potential answer suggested by some respondents would be to keep the segments as is but to have more granular KPIs, by corridors for example. This would enable simple and high-level targets to be retained but granular assessment of performance in meeting them to take place.

Some respondents suggested the option to sub-divide segments, for example splitting the retail segment between large corporate and SME sub-segments, or between corporates, individuals, and possibly public authorities in order to better take account of the different challenges these customers may face.

Some respondents recommended a focus on improving the payment ecosystem instead of focusing targets on specific market segments or payment types, or including a digital dimension in the current segmentation. They argued that the proposed market segmentation may result in a more complicated system to achieve end goals and also that it appears unclear how many of the newer and future offerings, such as DLT/CBDCs, closed loop app-based payments, etc. would be incorporated. For example, specific segments for low-value digital uses were suggested by one respondent with adapted targets (e.g. less stringent compliance checks, less consumer protection (such as charge backs)) to keep down entry costs to new players and making such payments more like low value physical cash.

**Question 3: Do you have any comments on the target metrics proposed?**

A number of respondents expressed support for the target metrics proposed in the consultation but several requested additional information on the principles and design features e.g. how the target metrics will be calculated and the baseline levels established to be used as a benchmark. Few respondents suggested specific alternatives for specifying the targets.

In relation to cost, some respondents considered the targets to be too ambitious and expressed concern whether meeting the targets would be sufficient to cover PSPs' costs while several noted that greater clarity on components of costs could better facilitate the monitoring of progress.

For speed, several respondents noted that some payments do not require fast delivery and proposed that all PSPs and infrastructures providers could work towards availability of an option to send fast cross-border payments. One respondent noted that a speed target was not suitable for wholesale payments given the majority of such payments have a settlement date agreed several days in advance while another asked how a 'business day' could be defined given cross-border payments can involve different time zones.

In terms of access, a few respondents raised their concerns about the cost of establishing an option in each payment corridor which would be prohibitive for financial institutions; however, this concern has arisen through a lack of clarity in the draft, which did not intend to imply that all financial institutions should offer a service in all payment corridors. Finally, for transparency, most respondents suggested the FSB define a minimum list of data that should be provided, to avoid fragmentation, and some suggested that this could be consulted upon before being finalised.

**Question 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?**

While a large number of respondents supported the principle to differentiate the two segments due to the differing needs and specific challenges of remittances compared with other P2P, an almost equal number of respondents emphasized the difficulty of distinguishing between remittances and other P2P payments. One reason is that it would require having knowledge of the purpose of the payment, not just the originator and the beneficiary.

Some respondents suggested alternative parameters such as payment value or payment method to distinguish between these segments.

Some respondents asked for additional or more granular definitions for the remittances segment in order to determine whether a distinction in the data would be possible.

**Question 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?**

Most respondents agreed that the proposed numerical targets are suitable and ambitious. Some respondents proposed that targets be set a domestic level in order to promote accountability. Many respondents requested greater detail be provided in the report explaining how the numerical targets were arrived at, in order to better assess their suitability.

**Question 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?**

Some respondents considered meeting the cost target would be a challenge due to increasing compliance and regulatory costs. Some respondents considered that the targets did not accurately reflect the challenges faced by the market and requested clarity on how they were derived, although some acknowledged remittance targets are already well established and underpinned through data collected by the World Bank.

A number of respondents did not support the use of reference transaction amounts for retail payments arguing that use cases differ per customer segment and service provider type, with some favouring encouraging market competition via full transparency over costs, rather than specific cost targets.

**Question 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 majority of respondents agreed that the FSB should adopt speed targets, and that these targets should be common across segments. A smaller number of respondents were cautious about setting any speed target at this stage, when it is very challenging to assess the current status of cross-border payments and therefore the level of ambition that is appropriate.

There was a spectrum of views on the proposed targets themselves:

- Some respondents explicitly advocated the proposed targets in the consultation.
- Some other respondents – mainly individual payments and financial technology firms – suggested the case for more ambitious targets, noting the strong capability of current infrastructure alongside ongoing and future developments (e.g. infrastructures exploring 24/7 and SWIFT exploring new platform technologies).
- The largest number of responses – including from several banks and banking / trade associations – considered the proposed targets too ambitious and suggested the FSB should adopt more ‘realistically achievable’ targets. Many of these responses cautioned that achieving the proposed targets must not increase risks from fraud, cyber-threats and AML/CFT issues, and advocated for the target design to capture and prioritise these risks.

In addition, many respondents saw value in including additional flexibility in the targets. Some suggested changes to facilitate consumer choice, for example to take into account different customer requirements for speed vs cost. One respondent suggested targeting a more general increase in processing speed, or to ensure all users have access to at least one ‘fast’ payment

option. Another proposed an alternative wholesale target, which recognises the option to settle forward-dated transactions on a specified Settlement Date.

Respondents suggested clarifying elements of the speed targets. In particular, many suggested defining the start and end-points of the payment lifecycle. Most respondents advocated for this to be centred on the end-user (i.e. start at the point at which a customer orders payment, and end once the beneficiary can access funds). Some banking associations suggested aligning to the receipt of information, or SWIFT messages.

**Question 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?**

A number of respondents including several banks and banking/trade associations were of the view that the proposed end-2027 target date for most targets was too ambitious. Others underlined that the dates were challenging, and stressed the scale of coordinated work that would be needed to achieve them, but did not express a view on whether the date was appropriate or singled out the date for the speed target as too ambitious. These groups drew attention to the complex and resource-consuming multilateral work by the public and private sector that would be needed to implement the roadmap measures and attain the targets. Several respondents supported the end-2027 target date in the consultative document, while some of them cautioned that an earlier date would not be feasible. Several others suggested that there be more ambitious target dates, with some noting that ongoing initiatives on technology updates, standardisation, and strong competition in the sector could justify such target dates. One respondent proposed that the remittances target cost target date should be the same as for retail payments rather than 2030.

Apart from explicit preferences for specific target dates, some respondents stressed the difficulty in assessing appropriateness of target dates at the current stage, due to uncertainty about the progress of the individual building blocks in the Roadmap. A few respondents raised the possibility of combining longer timelines with interim targets to allow flexibility to account for future developments.

**Question 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?**

Most respondents referred to SWIFT gpi as the most (or only) useful payments data source to monitor progress against the targets. Some also suggested using existing data collection processes of public authorities and international institutions such as the World Bank, or using these channels for new exercises.

Several respondents recognised the challenges of monitoring the targets, with a lack of current data availability to provide the information required. A number of these advocated a new global monitoring initiative to collect data on payments from the key players. Most suggestions were for collection via surveys to providers, end-users, and/or infrastructures.

That said, a majority of respondents stressed the importance of limiting the cost and burden placed on industry by data collection, and advocated utilising existing data sources as much as possible. Respondents also noted the importance of preserving commercial confidentiality when gathering data, allowing firms to provide it on an anonymised basis.

Several respondents advocated the use of API interfaces, to provide a common framework to connect and exchange information.

**Question 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?**

Most respondents did not provide any further comments or offer views on the types of averages that could help to measure progress. Those that did respond offered a range of suggestions. In particular, some respondents suggested greater segmentation or granularity in the measurement (e.g. greater segmentation and consideration of sub-targets by payment corridor). Another suggested consideration of alternative volume-weighted average targets to avoid skewing averages towards low-volume and high-cost corridors. One respondent said that both payers and payees were not required to be notified of the level of FX margin and fees, stating the market practice should be taken into consideration when setting the transparency target. Meanwhile, a further respondent suggested using several measures of central tendency, as each could provide different insights.

**Question 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?**

A number of respondents suggested qualitative targets, but these were unrelated to the topic of financial innovation suggested in the question. In particular, suggestions were received to include qualitative targets related to strengthening the security of cross-border payments (e.g. fraud and cyber risks). A number of respondents (either in answering Questions 10 or 11) proposed the inclusion of targets related to the harmonization of AML/CFT and data privacy regulations. Some respondents requested qualitative targets measuring progress with financial inclusion, digital literacy, and stakeholder awareness of the FSB's cross-border payments programme. Finally, there were suggestions to include qualitative targets related to the end-user experience (e.g. customer satisfaction rates with respect to different cross-border payment types and measures of consumer expectations with respect to the provision of cross-border payment services).