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Submitted via email to fsb@fsb.org

FSB consultation on targets for addressing the 4 challenges of cross-border payments

Wise (formerly TransferWise) appreciates the opportunity to submit comments to the Financial Stability Board (FSB) in response to its consultation on targets for addressing the four challenges of cross-border payments.

We are encouraged by and actively supportive of the FSB's efforts to reduce the challenges and frictions that exist in the global cross-border payments market. Our mission at Wise is to make money move without borders: instantly, conveniently, transparently and - eventually - for free. There is close alignment between our mission and the four challenges (cost, speed, transparency, access) identified by the FSB as in need of specific quantitative target metrics.

We offer detailed comments below, which focus on the need to expand access to the payments system and increase price transparency in the remittance and retail markets. These initiatives, supported by the international community, should be incorporated as ambitious target metrics, as they're key to solving four identified challenges of cross-border payments.

Please view Wise as a resource as we seek to solve many of the same challenges in cross-border payments and remain eager to share our expertise and firsthand experience in the market. We remain at your disposal for additional information or insights.

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About Wise

Wise is a global technology company, building the best way to move money around the world. With the Wise account people and businesses can hold 56 currencies, move money between countries and spend money abroad. Huge companies and banks use Wise technology too; an entirely new cross-border payments network that will one day power money without borders for everyone, everywhere. However you use the platform, Wise is on a mission to make your life easier and save you money.

Co-founded by Taavet Hinrikus and Kristo Käärmann, Wise launched in 2011 under its original name TransferWise. It is one of the world's fastest growing tech companies and is listed on the London Stock Exchange under the ticker, WISE.

10 million people and businesses use Wise, which processes over £5 billion in cross-border transactions every month, saving customers over £1 billion a year.

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?

Improving access, speed, transparency and cost is crucial to the FSB's aim to enhance cross-border payments. The key design features in setting out the targets rightly focus on the end-user's experience. This is key to improving cross-border payments in a way that will ensure efficient money flows and enable end-users to always make an informed decision.

It's important that we learn from regulation and guidance that has been put in place around the world and avoid both good intentions that have no benefit for the end-user or pitfalls where (inter)national rules fall short of their objectives. While the details of the whole payment process might not be known - or of interest - to an end-user, it's important that they have the necessary information presented to them in a clear and comprehensible manner. They should be made aware of a provider's service level agreements and their expectations should be met.

In addition, these targets should be seen as a minimum standard. It's crucial that the cross-border payments industry remains ambitious and is able to go beyond the targets without having to wait for international guidance to catch up. Wise agrees that targets should be simple, but that cannot hamper our ambition to deliver better services. We should also take into account that cross-border payments can have many different risk profiles: for certain subcategories, it will be much easier to achieve the targets than for others, which is why we should set ambitious goals.

It is right that we should focus on a few targets that deliver the most value to the cross-border payments market and its users, but opinions on what those few targets should be, will differ. And while measurements for those targets should mainly be of quantitative nature, there will be aspects that require qualitative analysis - particularly if we want to measure end-user benefit, understanding and inclusion. The targets should be measured continuously, and ideally, an escalation plan would be put in place in case certain corridors, countries or regions consistently fail to meet the targets or fail to make progress towards achieving the targets.

Setting targets at an international level is the correct approach. A lack of harmonisation when it comes to standards, such as alignment on wire transfer regulations or on data formats and messaging, makes cross-border payments unnecessarily complex, slow and expensive. International standards will help avoid the worst fragmentation. We also believe that sharing best practices amongst regulators and payment systems will help address differences where international guidance is lacking.

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?

Wise agrees with the distinction between wholesale, retail and remittances. Acknowledging the complexities of remittances is key to ensuring that these payments - a lifeline to over a tenth of the global population - can be addressed in a more tailored way than the retail payments category.

In addition, we were heartened to see SME services in the same retail category as consumer payments. SMEs are often left behind when it comes to enhancing their international payment experience. They often pay a high price for a slow and inconvenient service. It is only fair that we strive to improve their experience just as much as consumers.

In fact, nearly all of the revenue in the cross-border payments market is realised through retail volume (personal & business + SME). The global cross-border payments market processes £18 trillion in volume on an annual basis, generating £190 billion in revenue for the financial industry¹. However, £180 billion of that overall revenue comes from the personal and business segment. That's why it's important that both personal and business cross-border payments are recognised in the retail segment and they're able to get an equal level of service.

Do you have any comments on the target metrics proposed?

We go into transparency, cost and speed targets in more detail below. Our main issue lies with the current phrasing of the access targets. We believe it would be a major oversight to exclude access to payment systems for non-banks for the proposed targets. Open and fair access to payment infrastructure is key to ensuring that the underlying payment infrastructure is efficient and delivers competitive services for the end-user.

Regulatory obstacles currently prevent the non-bank sector from having direct access to payment systems and should be removed, subject to meeting the same technical and security requirements as bank participants. Not only will this democratised access improve competition, it will enable the industry to deliver solutions to the challenges for cross-border payments much more quickly.

Improved access for payment service providers will avoid practices such as de-risking. This is a key cost-driver for many payment service providers and is incredibly detrimental to the end-user, who ends up carrying the cost or having to look for an alternative provider at a moment's notice. Improving access to payment systems for non-banks, much like improving transparency in cost and speed disclosure, will be the catalyst to progress on all other targets.

Additionally, as we describe below, a tighter definition of price transparency - "total cost (i.e. upfront fees and fx margin in a single upfront amount)" - is essential to helping achieve cost targets.

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?

¹ 2021 Edgar, Dunn & Company Market Study

The cross-border payments market, both retail and remittance payments, suffers from a clear lack of transparency, making it difficult to impose clear targets on cost, as well as speed. It is therefore impossible to separate transparency targets from speed or cost. Perversely, the wholesale cross-border payments market has a higher level of transparency, as pricing disclosure is set out in wholesale industry guidance.

Today, cross-border payments are nearly entirely reliant on the correspondent banking system, which enables opacity and slows down transactions, while enriching each player along the payment chain. Therefore, it is crucial that any targets are paired with an increase in transparency. This will give both consumers and SMEs much more certainty around liquidity, as they know exactly how much money will arrive on the other side and when they or their recipient can expect it.

Targets around full pricing disclosure have already been included in international guidance, such as the Remittance Community Task Force's "Blueprint for Action",² which was convened by the United Nations, International Fund for Agricultural Development, and World Bank. The resulting report includes a clear policy recommendation for increased transparency: providers must disclose the total cost (e.g. fees at both ends, foreign exchange rate margins) in a single upfront amount to their customers. Calculating those fees from a live, neutral benchmark rate will be key to ensuring costs are calculated correctly and in the same way across the board. It's of paramount importance that we define which rate is used as the benchmark rate, as previous legislation has failed to deliver because the definitions and guidance was too vague. We would recommend that the FSB throws its weight behind the recommendation in the Blueprint for Action, which will have an impact both on cost and on transparency.

While the UN SDG has its merits as an international cost target for remittances, Wise analysis of World Bank data concluded that none of the G7 sending countries are currently on track to reach that target. We also believe that people should be able to compare providers on speed and cost, relying on live data (including the mid-market exchange rate). That isn't currently possible for the majority of corridors, and even the World Bank comparison website doesn't rely on live data, which often means that exchange rate margins are inaccurate, making it hard to compare providers in real time. Being able to compare providers accurately will increase competition, lower costs and force providers to improve their services altogether.

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?

We have to set ambitious goals. Meeting these speed targets is crucial, but they depend heavily on the quality of robust domestic interbank systems, as well as their interoperability with other systems around the world. We can't tackle speed without improving access and

² Remittance Community Task Force, "[Blueprint for Action: Remittances in times of crisis](#)" (November 2020)

interoperability between payment systems globally. We'd welcome the FSB's ongoing support for interoperability projects worldwide, as well as for improved access to payment systems - including for non-banks.

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 more ambitious target is possible. Globally, the industry is already implementing new standards such as ISO20022, which will solve some of the current challenges to cross-border payments. ISO20022 will help with the automation of Know Your Customer (KYC) and fraud processes and will give financial institutions the ability to run checks automatically and speed up payments.

More ambitious targets would also spur countries and regions around the world to reassess some of their regulatory blockers in light on international guidance. A sense of urgency is needed to reform payments infrastructure, payment schemes, disclosure requirements - and ultimately, industry standards and mentality.

In terms of transparency targets we could be much more ambitious. Today, the overwhelming majority of firms already have access to all the information, as well as the technology they need in order to display the relevant costs to consumers. It is an active choice to hide fees. While there may be some leeway in displaying 'receiving fees', as the current correspondent banking model makes that hard to predict, SWIFT gpi should offer some solace. Industry is rightly saying this latest innovation will go a long way, but implementing it and offering that greater level of transparency is straightforward and shouldn't take six years.

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 cost: while the World bank offers a wealth of data on remittances, it could be stronger in a few ways. It doesn't provide live data, creating a discrepancy between what people google and what people see on the comparison portal. In addition, it doesn't take exchange rate margins into account, often listing providers as having an exchange rate mark-up equal to zero, when in reality the mark-ups are 3%+.

From experience, we know that some providers make it hard to obtain live data. Therefore, we believe it is important to work with industry and encourage them to make their pricing and speed data publicly available to enable live comparison. Additionally, the World Bank, FSB, or other international bodies could consider collecting data from existing comparison sites, or, like those third party comparison sites, connecting via API with payment providers willing to voluntarily share live pricing data.