At its first in-person meeting of the LRS Taskforce, members discussed two FSB initiatives that aim to address identified frictions in legal, regulatory and supervisory frameworks related to the provision of cross-border payments. The meeting provided an opportunity for the LRS Taskforce to provide early feedback on these initiatives prior to issuing them for public consultation in July 2024, which is what the LRS Taskforce was established to do. The meeting in Basel provided an opportunity for LRS members to receive an update from the BIS Innovation Hub (BISIH) on three projects that target frictions in cross-border payments from a practical technological perspective. These include Project Nexus and Project Mandala from the BISIH Singapore Centre and Project Aurora from the BISIH Nordic Centre. The meeting concluded with a discussion on areas LRS members are interested in having a discussion.

1. Bank and non-bank supervision

The Chair of the FSB working group on bank and non-bank supervision (BNBS) discussed the progress made on developing the recommendations to promote consistency in scope and application of supervision for banks since their last meeting with the LRS in November 2023. LRS members broadly supported the preliminary recommendations and highlighted the need to promote greater consistency in regulatory and supervisory frameworks across the sector, including within jurisdictions with multiple competent authorities involved in regulating and supervising different types of payments service providers (PSPs). LRS members supported technology-neutral recommendations that broadly cover all types of non-bank PSPs and emphasised the need for proportionality in regulatory and supervisory frameworks to account for the heterogenous services and business models, and therefore risk profiles, across the sector. LRS members also provided some practical examples of frictions created by inconsistencies in legal, regulatory and supervisory frameworks, including differences in licensing and reporting regimes, to help underpin the recommendations as the BNBS finalises its consultative report.

2. Data frameworks related to cross-border payments

The Chair of the FSB working group on cross-border data and identifiers (CPDI) introduced the draft recommendations to address unnecessary frictions from data frameworks that pose
significant challenges to improving the cost, speed, transparency and access of cross-border payments. He noted that it would be important to convene supervisory and regulatory authorities, and experts in AML/CFT, data privacy and protection and sanctions as the recommendations are taken forward so as to enhance collaboration on cross-border payment related data issues. LRS members agreed with the need for such engagement, which should also include interaction with the private sector.

Drawing from the 2023 FSB stocktake on data frameworks, the recommendations aim to promote greater alignment and interoperability in data frameworks related to cross-border payments; address uncertainty on how to balance regulatory and supervisory obligations, mitigate restrictions on the flow of data related to payments across borders, and reduce barriers to innovation. LRS members supported the recommendations and emphasised the need to address the following data-related issues in cross-border payments.

- **Sanctions.** There is a need to address frictions arising from compliance with sanctions lists, including working toward harmonising data and identifier elements in sanctions lists.

- **Standardised identifiers.** There is a need for increased use of standardised identifiers, such as the legal entity identifier (LEI), in payment messages but there is a greater need to broaden the use of digital identifiers.

- **Cross-border payments-related data flows.** The increase in data localisation policies, particularly in emerging markets, is a reflection of a lack of international cooperation. There is a need for greater education about the costs associated with imposing data restrictions in cross-border payments.

3. **BIS Innovation Hub**

LRS members received an update on BISIH projects that target frictions in cross-border payments from a practical technological perspective.

- **Project Nexus** (Singapore Centre) is developing a blueprint to connect fast payment systems across five jurisdictions via one single multilateral gateway rather than 20 bilateral links. Nexus plans to enable faster cross-border payments (less than 60 seconds), with costs to the sender below the target, clear upfront disclosure of fees and access for consumers and SMEs through their participating banks.

- **Project Mandala** (Singapore Centre) is developing a proof of concept to automate compliance checks of jurisdiction-specific policy and regulatory requirements. It aims at enabling more efficient cross-border transfers of any digital assets (including fast payments, CBDCs, and tokenised deposits) thereby reducing costs and enhancing speed of cross-border payments.

- **Project Aurora** (Nordic Centre) combined artificial intelligence, network analysis and privacy enhancing technologies to identify suspicious payment transactions across institutions and borders while protecting sensitive information.
4. **Next steps**

LRS members were invited to share their perspectives on the issues on which the taskforce could focus its time and attention and how it might make practical contributions to moving the Roadmap work forward. One area that garnered attention was further work on understanding the impact of capital controls on the speed and cost of cross-border payments, an issue that was highlighted in the inaugural KPI monitoring report. Members also expressed interest in having further discussions on fraud prevention, sanctions and the use of digital identifiers, as well as engaging with the Committee on Payments and Market Infrastructure (CPMI) Community of Practice (COPS) for central banks to exchange best practice and learnings.

**Action points:**

- LRS members to provide practical examples of how capital controls impact cross-border payments.

- Secretariat to seek opportunities for the LRS Taskforce to engage with the CPMI COPS.

- For future meetings, Secretariat to include on the agenda discussions on fraud prevention, sanctions and use of digital identifiers.