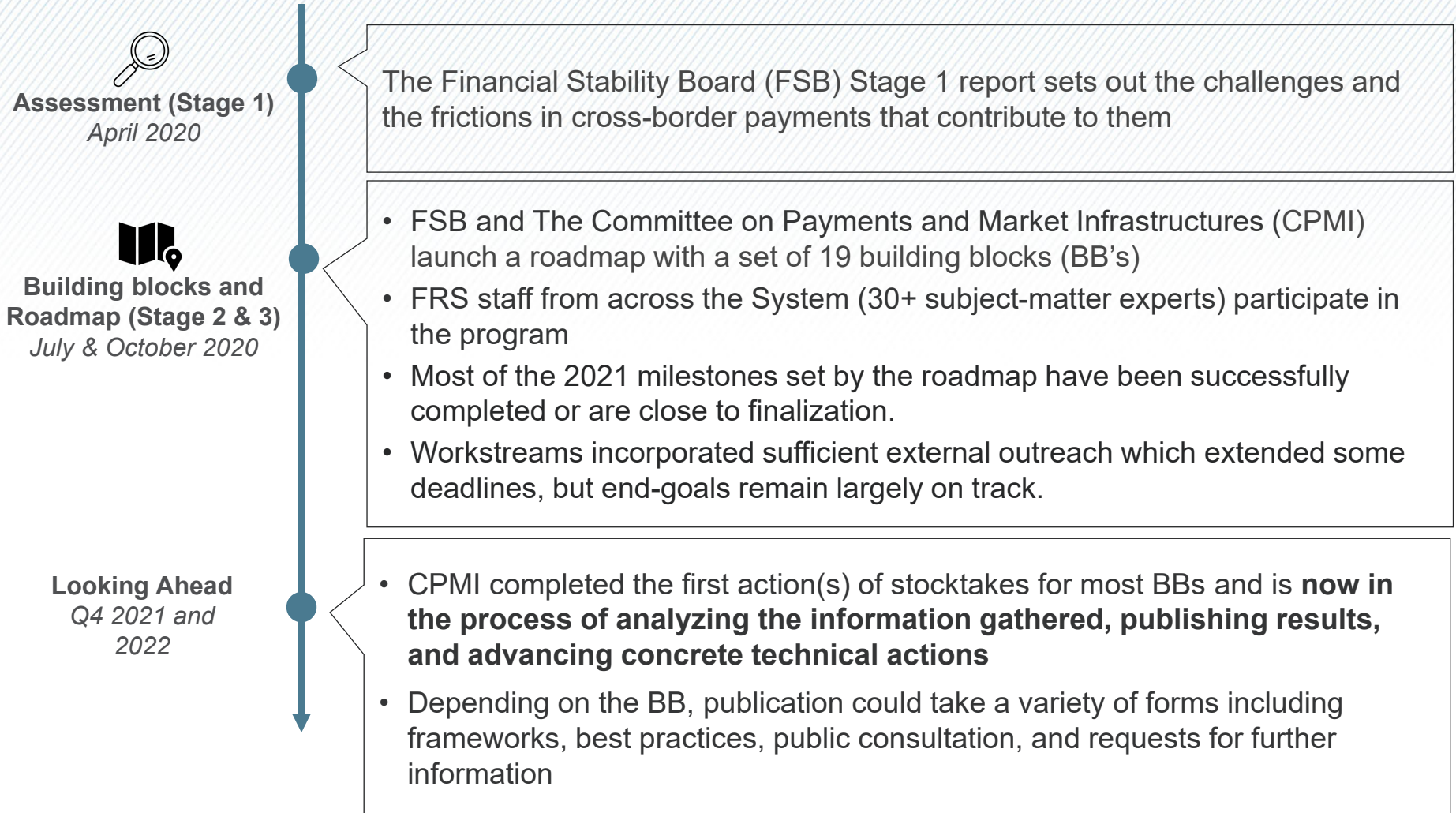


Cross-border Payments

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The views represented in this presentation are those of the presenter and do not necessarily represent the opinion of, and are not binding on, the Federal Reserve Bank of New York or the Board of Governors of the Federal Reserve System.

Background: the G20 cross-border roadmap



Financial Stability Board cross-border payments targets

- The FSB Targets report is being finalized incorporating industry feedback. The report will be submitted to the G20 in October 2021 and subsequently published.
- The targets for addressing the challenges of cross-border payments, as published earlier this year, are summarized below.

	Wholesale	Retail (e.g. B2B, P2B/ B2P, other P2P3)	Remittances
Cost	No target set	Global average no more than 1%, no corridors more than 3% by end 2027	Reaffirm UN SDG
Speed	Large majority (e.g., 75%) of cross-border wholesale/retail/remittance payments to be within one hour of payment initiation by end-2027 and for the remainder of the market to be within one business day. For retail and remittance, provide availability of funds for the recipient within one hour from payment initiation		
Access	All financial institutions / end-users to have at least one option for sending or receiving cross border payments by end-2027 (and, where appropriate, multiple options for sending cross-border wholesale payments)		More than 90% of individuals who wish to send or receive a remittance payment to have access to a means of cross-border electronic remittance payment by end-2027
Transparency	All payment service providers to provide at a minimum a defined list of information concerning cross-border payments to payers and payees by end-2027		

*From the “FSB Targets for Addressing the Four Challenges of Cross-Border Payments” consultative report published May 31, 2021.

Industry consultation process

- Past examples of industry outreach:
 - **Consultative report** on Targets is released via a press release, followed by a response period for industry to submit comments
 - Banca D'Italia webinar "Enhancing Digital and Global Infrastructures in Cross-border Payments" **virtual conference** including policymakers, central banks, industry participants, and academics to discuss program direction
- Reports which are subject to the public consultation process¹ go through the following steps:



1. Not all FSB or CPMI reports go through the public consultation process.

Select Building Blocks of interest

Future of payments

- The future of payments workstream (3 BB's) is more exploratory compared to the other areas of the roadmap, and covers emerging payment infrastructures and arrangements

	Objective	Current status	Next steps
BB 17	Consider the feasibility of new multilateral platforms and arrangements for cross-border payments.	Stocktake of existing and potential regional and global multilateral platforms explored the potential effects of platforms on the frictions of cross-border payments and considered possible challenges, barriers, and risks that platforms may face.	Perform a cost/benefit and feasibility analysis of one or more new multilateral platforms. Analysis should include review of business case, platform requirements, and potential features and conclude on the merit of multilateral platforms in bringing meaningful improvements to cross-border payments (Q2 2022)
BB 18	Foster the soundness of global stablecoin arrangements for cross border payments	Existing international standards under review	TBD
BB 19	Analyze the potential use of CBDCs in facilitating efficient cross-border payments	Stocktake report of existing CBDC projects provides a conceptual overview of opportunities and risks associated with cross-border use of CBDCs and highlights macro-financial implications.	Deepen analysis on CBDC design, identifying and analyzing options for access to and interlinking of CBDCs for improving cross-border payments (Q2 2022)

Select Building Blocks of interest

Existing payment infrastructures

- 5 BB's focus on existing payment infrastructures and arrangements

	Objective	Current status	Next steps
BB 9	Facilitate increased adoption of PvP	Analysis of various ideas to increase adoption	Develop proposals for increased adoption of PvP (Q2 2022)
BB 10	Evaluate the potential benefits, barriers and risks of broadening direct access to central bank settlement accounts and/or payment systems	Stocktake outlined the current status, the initial benefits, barriers considerations for both direct and indirect access to payment systems that settle at the central bank	Publish a report outlining best practices on (direct) access to payment systems for authorities and operators (Q4 2021)
BB 12	Evaluate extension and alignment of operating hours of key payment systems	Stocktake completed to identify operating hours of payment systems	Publish a report on operating hour target end states (Q4 2021)
BB 11	Explore usage of central bank reciprocal liquidity arrangements	Analyze design features, existing implementations, benefits, and challenges of liquidity bridges	Publish framework for establishing a liquidity bridge (Q3 2022)
BB 13	Explore interlinking of payment systems for cross border payments	Stocktake and analysis completed of interlinking models	Publish an interlinking framework for central banks and payment system operators considering links to payment systems abroad (Q3 2022)

Select Building Blocks of interest

Data and market practices

- 2 BB's focus on increasing data quality and straight-through processing by enhancing data and market practices

	Objective	Current status	Next steps
BB14	Adopt a harmonized ISO 20022 version for message formats (including rules for conversion/mapping)		Analyze standard global ISO formats for cross border payments and develop market guidance on specific use cases based on those formats (Q2 2022)
BB15	Harmonize API protocols for data exchange	Both BB's hosted a hackathon , which was open to all developers and engineers working in financial sector to find ways to leverage ISO 20022 and APIs to enhance cross-border payments	Analyze existing message standards/protocols for data exchange (Q4 2021)

Next steps

- Going forward, Q4 2021 and 2022 of the roadmap will provide opportunities for continued industry engagement. **FRS staff encourages all interested parties, including the FTAG members, to participate in these opportunities on behalf of their organizations**
- Upcoming industry engagement could include but is not limited to consultative periods for reports, workshops, surveys, requests for information, and conferences
- Please look out for these opportunities in your formal communication channels with FSB, CPMI, etc.