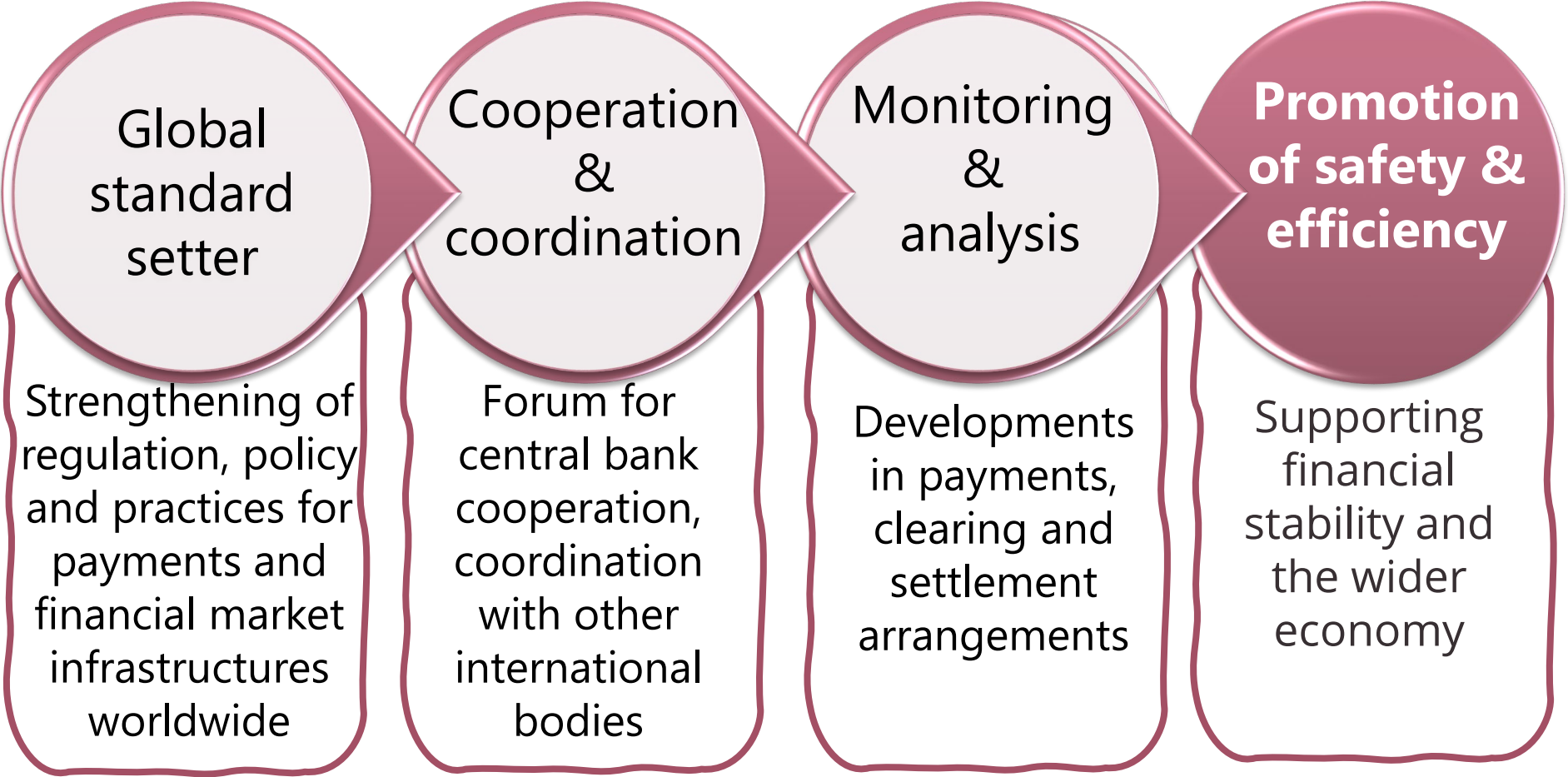


G20 Cross-border payments roadmap: Overview, progress and next steps

Thomas Lammer, Deputy Head of Secretariat, CPMI

Public
ECB Operations Managers Group
23 March 2023

BIS Committee on Payments and Market Infrastructures (CPMI): mandate



[CPMI Charter](#)



Established in 1990 as Committee on Payments and Settlement Systems (until September 2014), preceded by the G10 Group of Experts on Payment Systems (1980) and the ad hoc Committee on Interbank Netting Schemes (1989)

Agenda – CPMI's cross-border payments focus

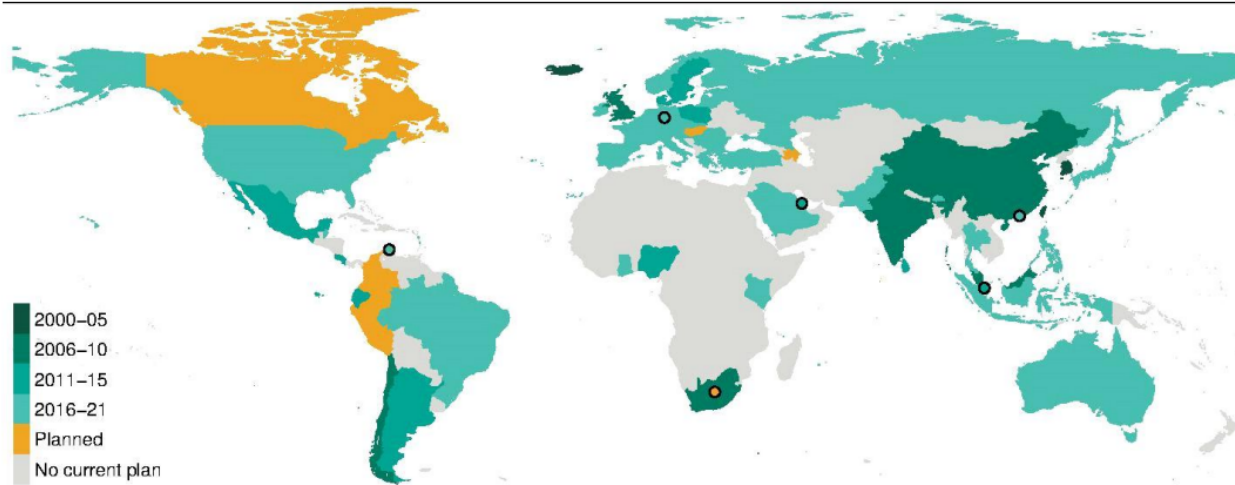
- Overview of the cross-border payments programme
- CPMI priorities for 2023-24
- Major deliverables over the past months

Domestic payment systems work well ...and continue to evolve...

...but cross-border payments suffer
from a number of challenges

Fast payment systems around the world

Graph 1



The use of this map does not constitute, and should not be construed as constituting, an expression of a position by the BIS regarding the legal status of, or sovereignty of any territory or its authorities, to the delimitation of international frontiers and boundaries and/or to the name and designation of any territory, city or area.

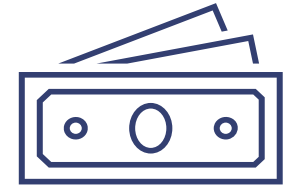
The circle in Europe represents the FPS in the euro area. The FPS in Aruba, Bahrain, Hong Kong SAR, Singapore and SADC region are also represented by circles.

Sources: CPMI FPS survey; national data.

In the last two decades, FPSs have spread around the world. 60+ jurisdictions have launched fast payment services. The pandemic increased end users' demands for digital payments and increased the potential of FPS as alternative to cash.



Low speed



High costs



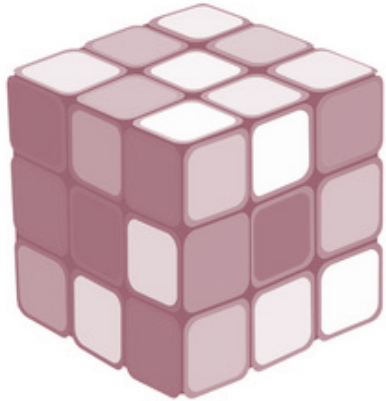
Limited access



Limited transparency

19 building blocks form the basis and progress has been made across all of them

A multidimensional problem requiring a comprehensive approach



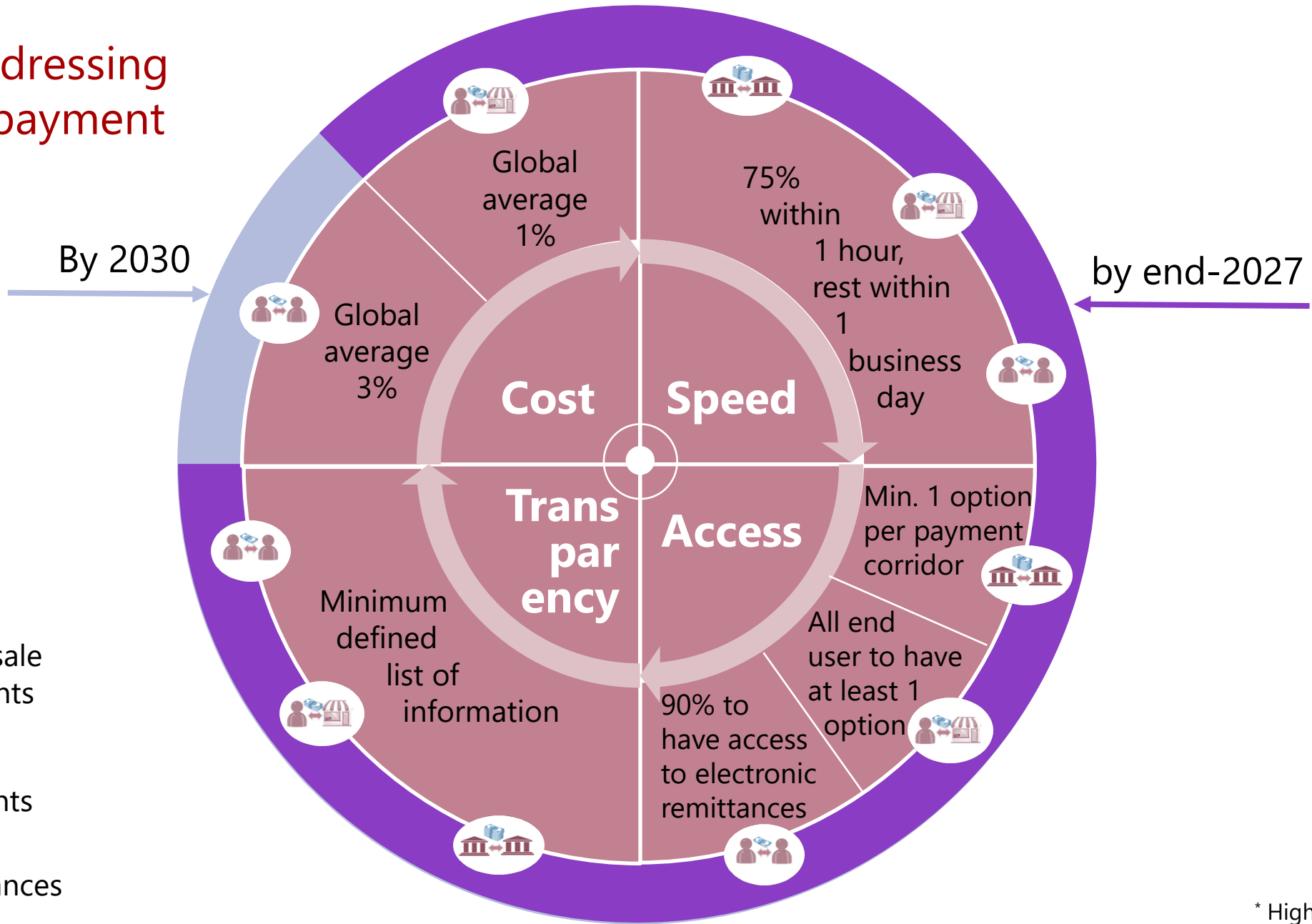
CPMI identified the relevant building blocks for a comprehensive cross-border payments programme, which form the basis of the G20 Roadmap



Committee on Payments and Market Infrastructures

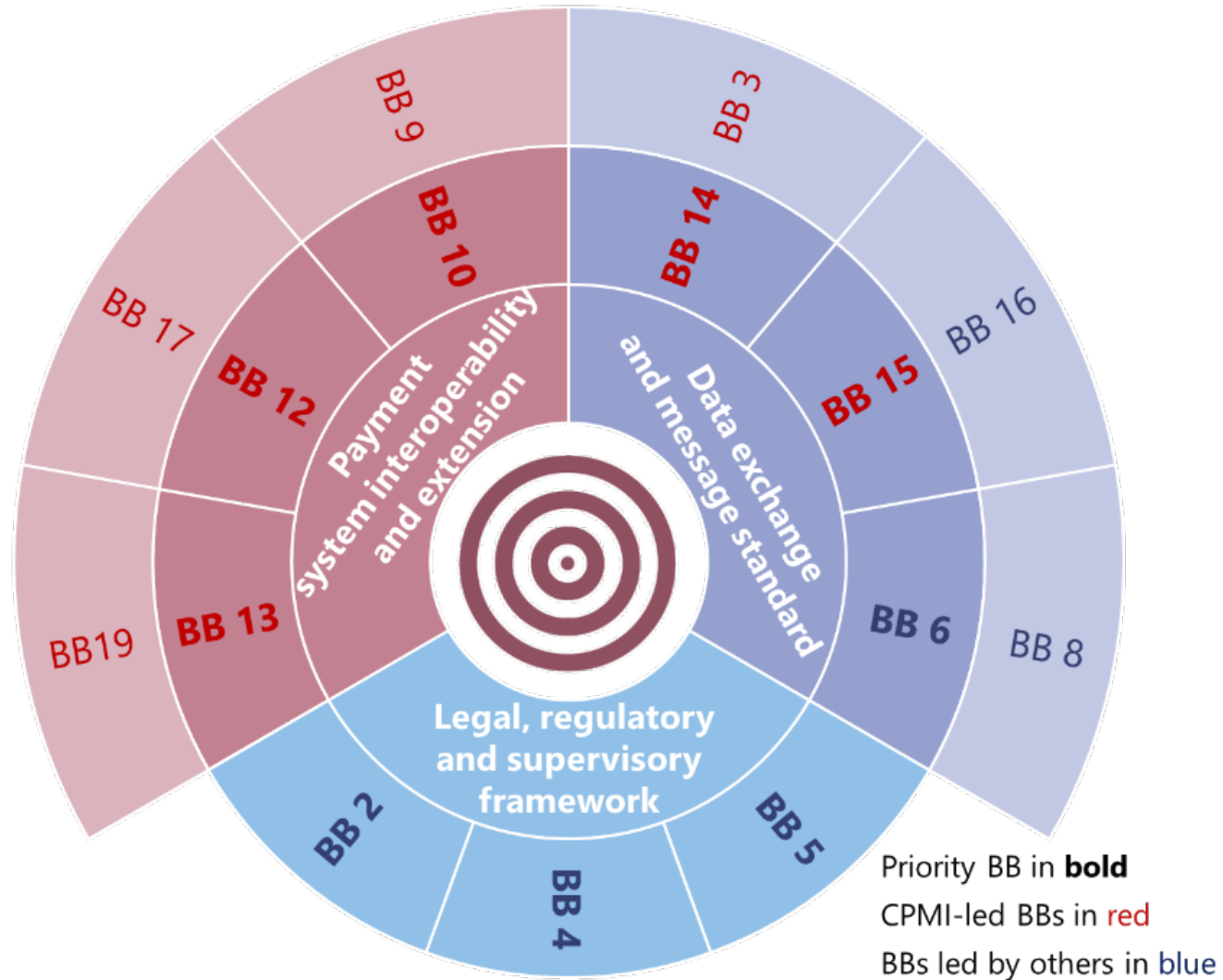


Targets for addressing cross-border payment challenges



* High level summary

9 priority and 6 supporting building blocks across the 3 priority themes

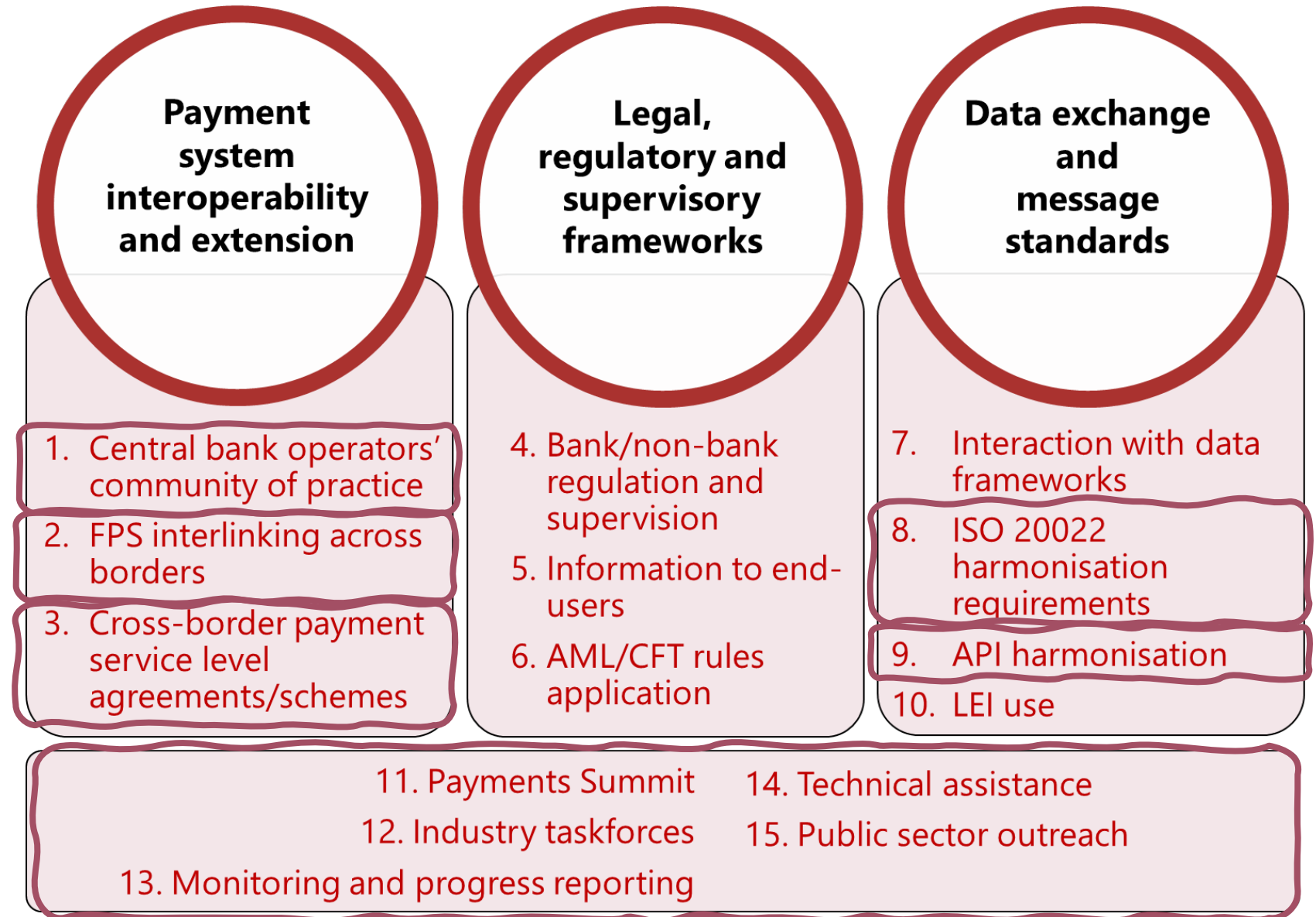


Agenda – CPMI's cross-border payments focus

- Overview of the cross-border payments programme
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CPMI leads 5 and supports 5 of the 15 priority actions for 2023-24

CPMI is in the lead of 5 priority actions and contributes to 5 more



FSB (2023): [G20 Roadmap for Enhancing Cross-border Payments: Priority actions for achieving the G20 targets](#)

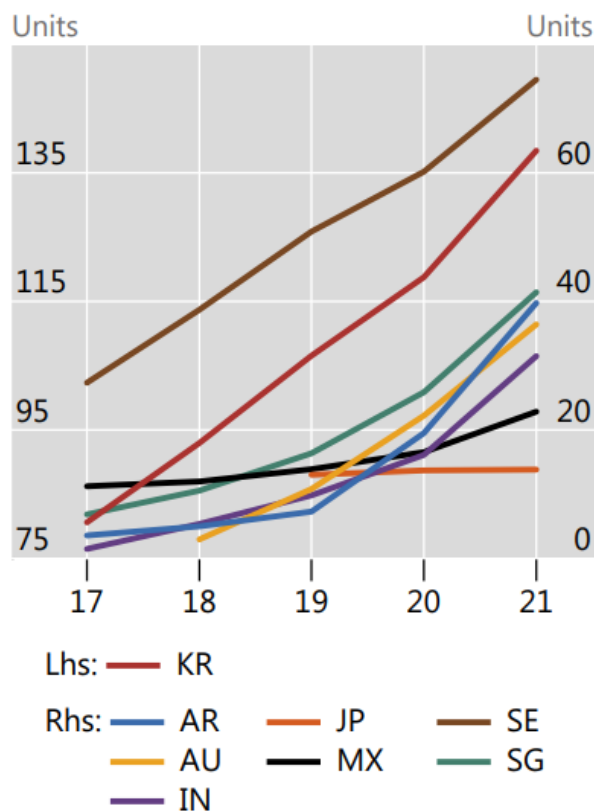


Priority action: Fast payment systems (FPS) interlinking across borders

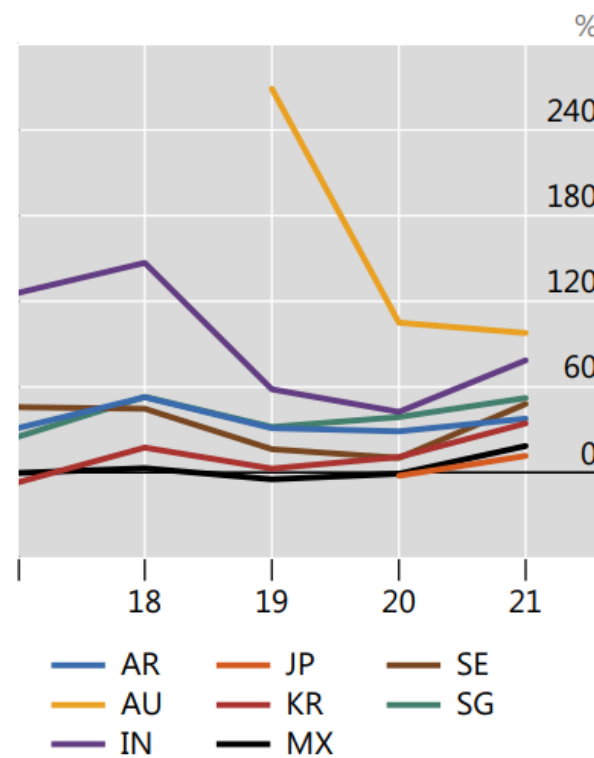
Current status:

- The number of fast payments per inhabitant continued to grow, reaching new heights in 2021.
- First FPS-links have been established or are being explored.
- BIS Innovation Hub is developing a technical prototype of Nexus

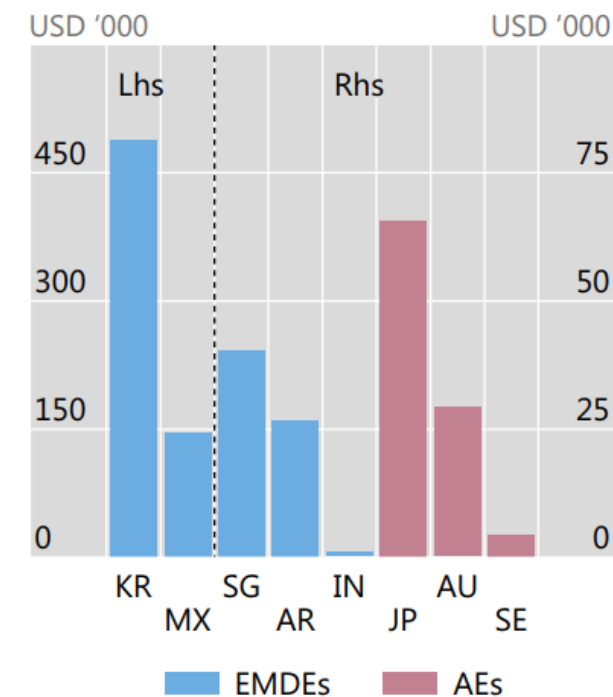
A. Average volume per inhabitant



B. Growth of average value per inhabitant²



C. Average value per inhabitant in 2021



¹ Only countries are included for which the Red Book statistics contain data about fast payments since 2019. ² In domestic currency, adjusted by CPI inflation.

Source: CPMI Red Book statistics.

Priority action: Fast payment systems (FPS) interlinking across borders

Planned deliverables:

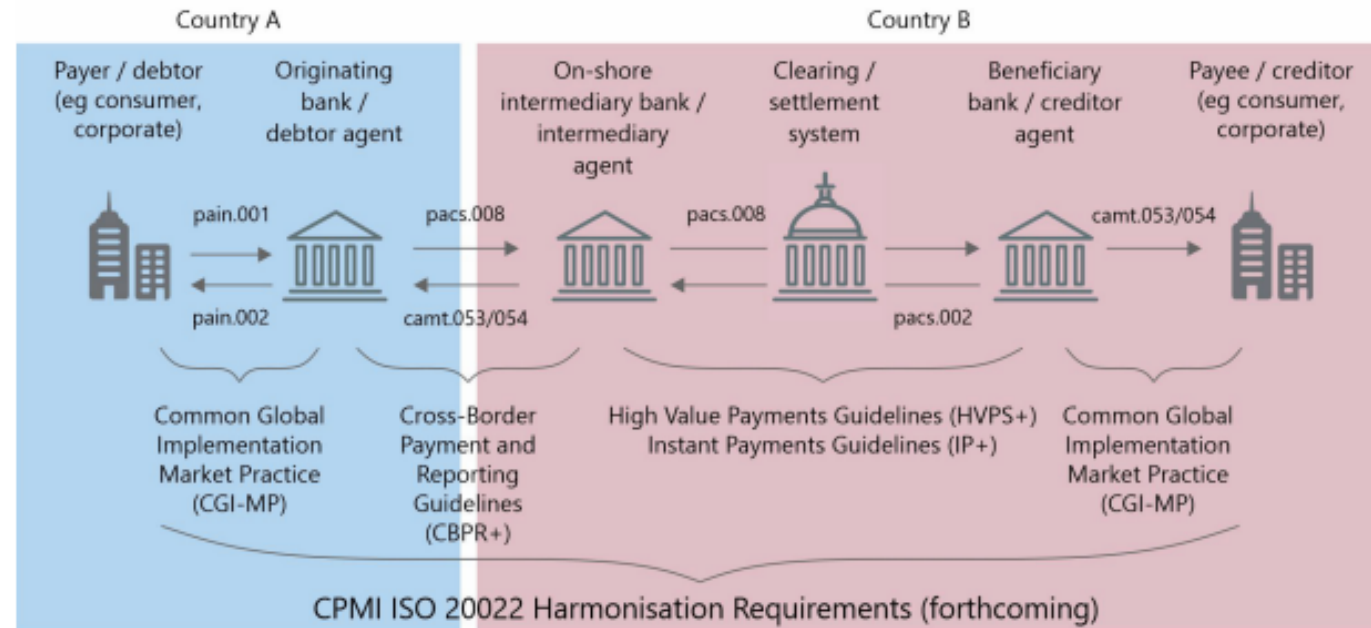
- **G20 workshop on interlinking of FPS.** CPMI, in cooperation with the Indian G20 Presidency and the BIS IH, to organise a G20 FPS interlinking workshop to showcase existing interlinking arrangements, discuss technical and operational aspects as well as governance, risk management and oversight of payment system interlinking arrangements.
- **Interim report to the G20 on FPS interlinking governance, risk management and oversight considerations.** Building on the experimental work on interlinking and the outcome of the G20 workshop in July 2023, CPMI to publish an interim report to the G20 on FPS interlinking governance, risk management and oversight considerations.
- **Project Nexus - phase three.** BIS IH and partners to finalise the Nexus technical blueprint, governance and scheme arrangements required for interlinking of FPS based on the Nexus model. This work will contribute to the development of the interim report on governance, risk management and oversight considerations.

Priority action: ISO 20022 harmonisation requirements

Current status:

- Adoption of ISO 20022 is proliferating, but variability in its implementation and requirements with respect to cross-border payments can undermine its benefits.
- A joint CPMI-SWIFT Payment Market Practice Group (PMPG) taskforce has defined harmonised requirements for ISO 20022 use in cross-border payments.
- The harmonisation requirements should take effect after the MT/ISO 20022 co-existence period ends in 2025.

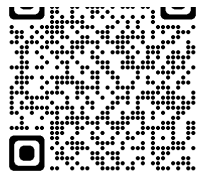
End-to-end cross-border payments chain and ISO 20022 usage guidelines¹



¹ This is a stylised customer flow for a cross-border credit transfer in ISO20022 using a simplified traditional correspondent model. Some reporting/advice messages may differ or are not shown.

Source: CPMI.

Public consultation until
10 May

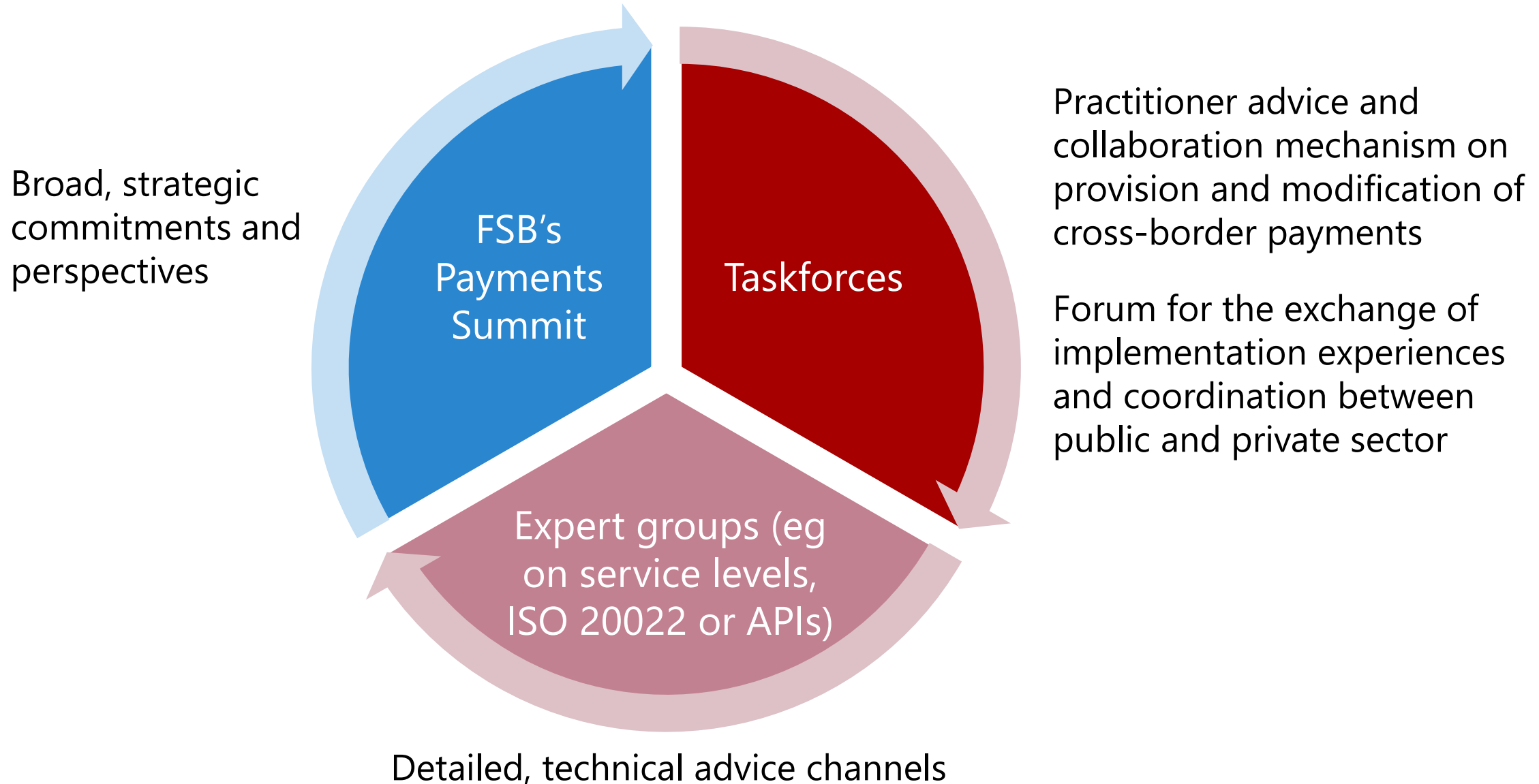


Article
available
[here](#)

Priority action: ISO 20022 harmonisation requirements

- **Timeline:** consultative was published in March for a consultation period until 10 May, workshop, and publication of final report by October 2023
- **Multi-year implementation (2023-25):**
 - **CPMI to convene payment system operators and market practice industry groups to align market practice guidelines** with the ISO 20022 harmonisation requirements for cross-border payments developed by the CPMI and PMPG joint task force, supported by a transparent and inclusive governance framework.
 - **Payment system operators supporting the adoption of a harmonised version of ISO 20022, to continue to work on future plans, and set out publicly their commitment for adoption of a harmonised version of the ISO 20022 standard for cross-border payments.** Market practice groups to align their guidelines with CPMI harmonisation guidelines. CPMI to take stock of ISO 20022 migration plans of individual jurisdictions.

Regular engagement with market stakeholders



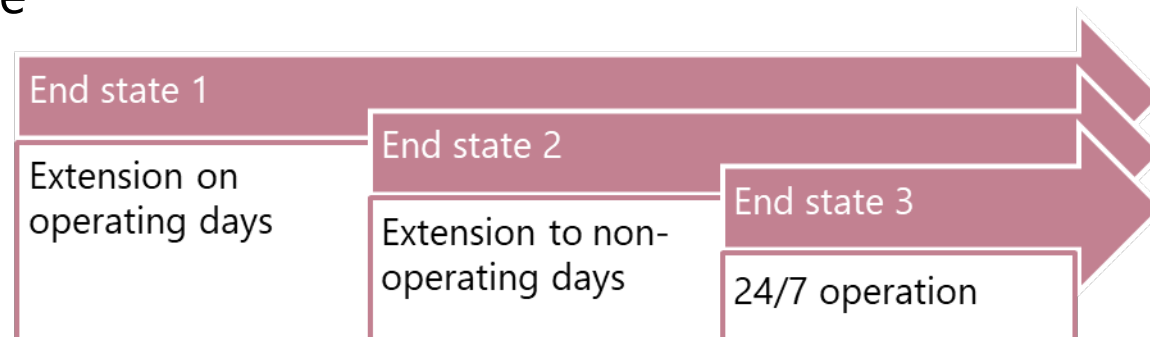
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Extending and aligning payment system operating hours (May 2022)

Report sets **out potential future operating hour “end states” to support enhanced cross-border payments, analysis of risks and policy considerations, and potential solutions to address them**

- Focus on RTGS systems as core infrastructures for current cross-border payments network
- Stocktake findings: operating hours vary significantly, and sizable gaps exist in daily operating hours
- “Global settlement window” as a useful tool or lens to measure the impact of individual decisions on the aggregate landscape
- Three potential high level end-states:



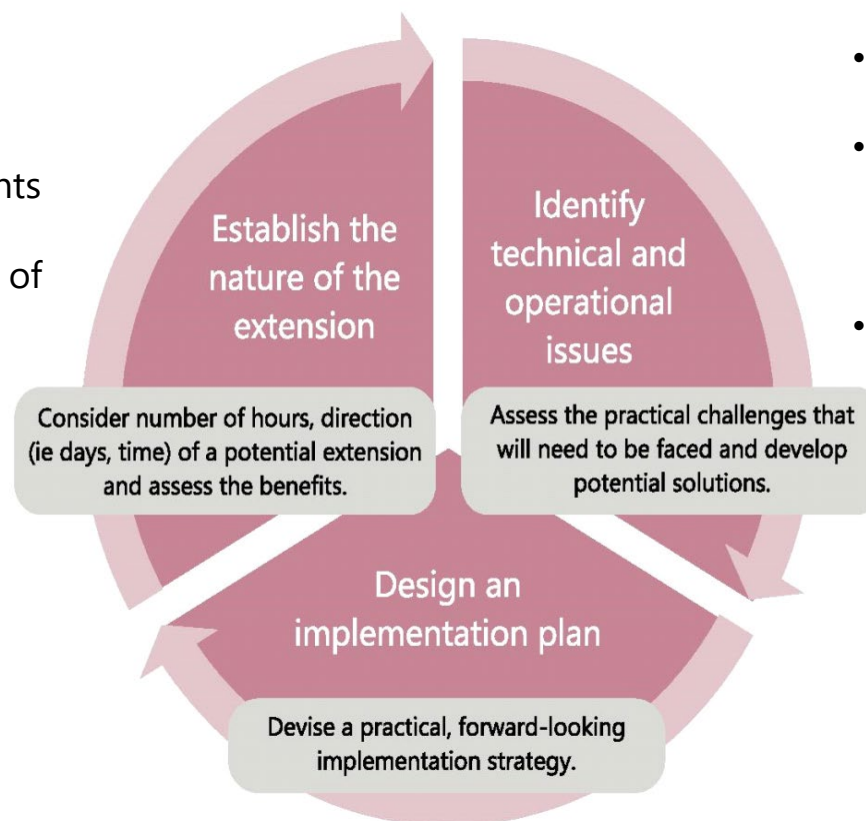
- End-states addressed to individual jurisdictions; non-prescriptive approach
- Operational, risk, and policy considerations related to the end states

Report available [here](#)



Operational/technical considerations for extending and aligning payment system operating hours: An analytical framework (February 2023)

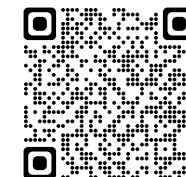
- Benefits for cross-border payments
- Benefits for domestic payments
- Number of hours and “direction” of extension



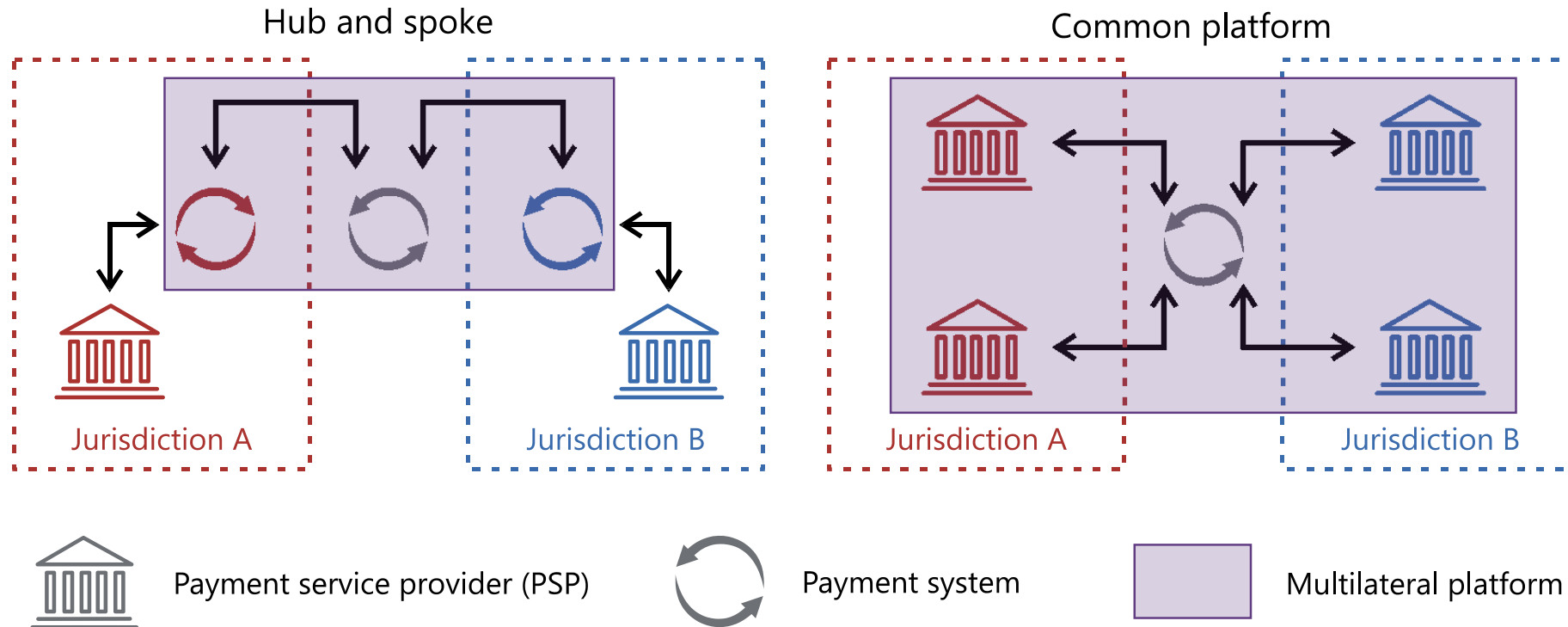
- Assess the necessary adjustments and related costs given extended operating hours scenario(s);
- Weigh how specific measures would affect the central bank as the operator, but also its implications for participants, ancillary systems and other stakeholders;
- Consider a forward-thinking approach for the possible scenario(s) in order to help avoiding unnecessary/duplicate efforts.

- Longer-term implementation considerations
- Stakeholder coordination and early engagement

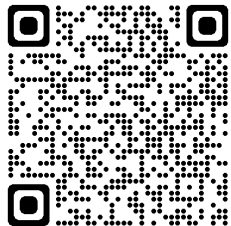
Report available [here](#)



Exploring multilateral platforms for cross-border payments (January 2023)

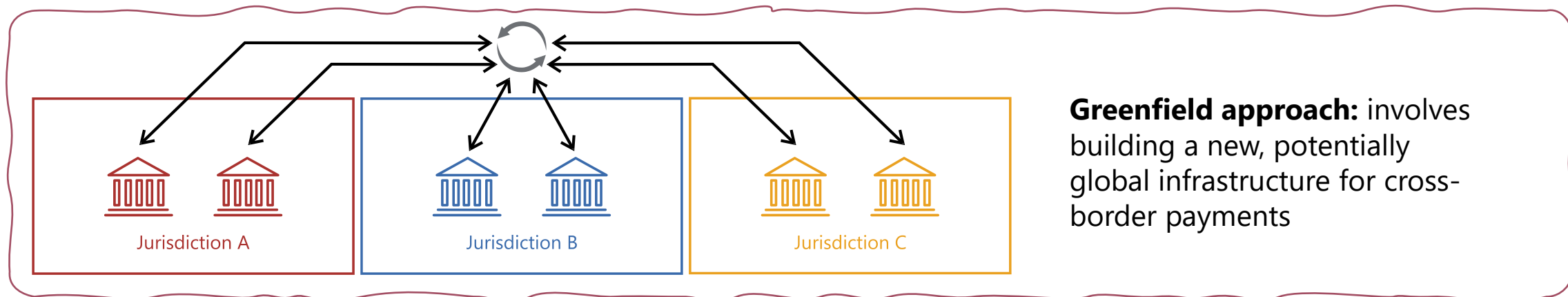


- An MLP is payment system for cross-border payments that is multi-jurisdictional by design.
- It can substitute for or operate alongside traditional correspondent banking relationships or bilateral interlinking of domestic payment infrastructures.

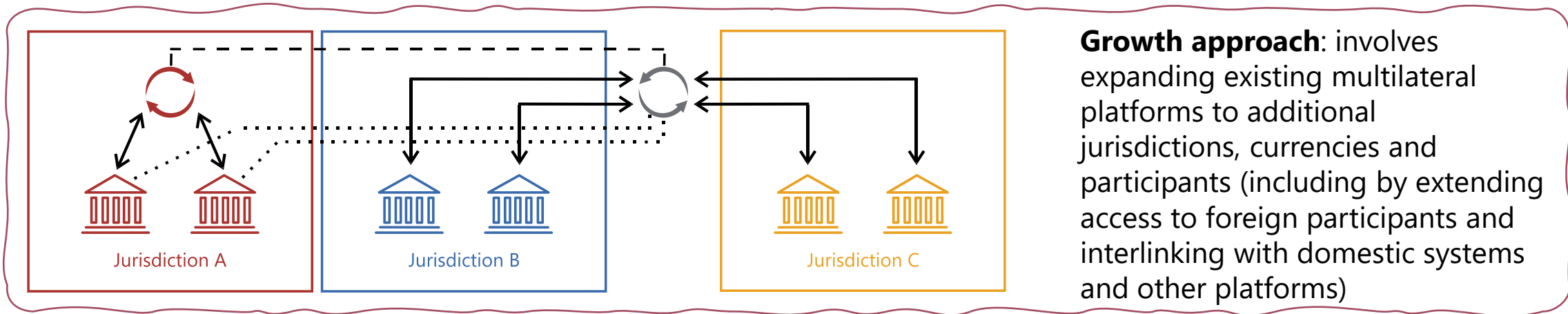


Report available [here](#)

Approaches for the establishment of multilateral platforms



Greenfield approach: involves building a new, potentially global infrastructure for cross-border payments



Growth approach: involves expanding existing multilateral platforms to additional jurisdictions, currencies and participants (including by extending access to foreign participants and interlinking with domestic systems and other platforms)



Payment service provider (PSP)



Payment system

..... Growth by expanding access

- - - Growth by interlinking

Facilitating increased adoption of payment-versus-payment (PvP)

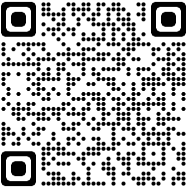
Existing PvP arrangements are available for the most-traded currency pairs, are resilient and reduce funding costs substantially, but users have additional needs that could be met by new solutions.

These needs include:

- Settling EMDE currencies using PvP
- Settling on the same day as trading (or even in real time) using PvP
- Initiating netting and settlement on demand
- Having multiple netting options (gross, bilateral, multilateral by currency pair)

Existing PvP arrangements and the proposed new solutions face similar barriers such as differences in national regulatory requirements (eg, around settlement finality and related protections).

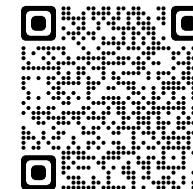
Private and public sector stakeholders, including central banks, could take on various roles to reduce barriers and facilitate the increased adoption of PvP (next slide).



Report
available
[here](#)

Roles for private and public sector stakeholders to expand PvP

Report
available
[here](#)



Private sector entities could

- Align nostro hours and processes to expanded timing and functionality offered by new services
- Promote integration between legacy and emerging systems
- Explore potential changes to conventions for an international settlement date in support of same-day PvP

Central banks and other public authorities could

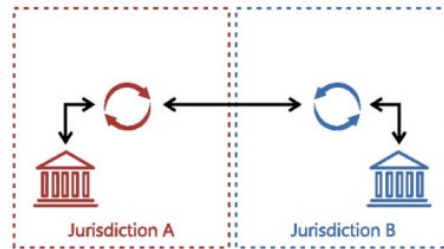
- Addressing regulatory barriers and sharpen regulatory incentives
- Assess benefits and risks in providing cross-border FMIs access to central bank accounts (BB 10)*
- Consider extending/aligning RTGS operating hours to allow for broader settlement windows (BB 12)*
- Expand functionalities in RTGS platforms and promote interoperability where practical
- Ease liquidity constraints on PvP settlement where practical (BB 11)*
- Catalyse private sector engagement and innovation

* Interdependencies with building blocks 10, 11 and 12 that cover three of the potential roles in more detail.

Further 2022 key deliverables

13
Interlinking

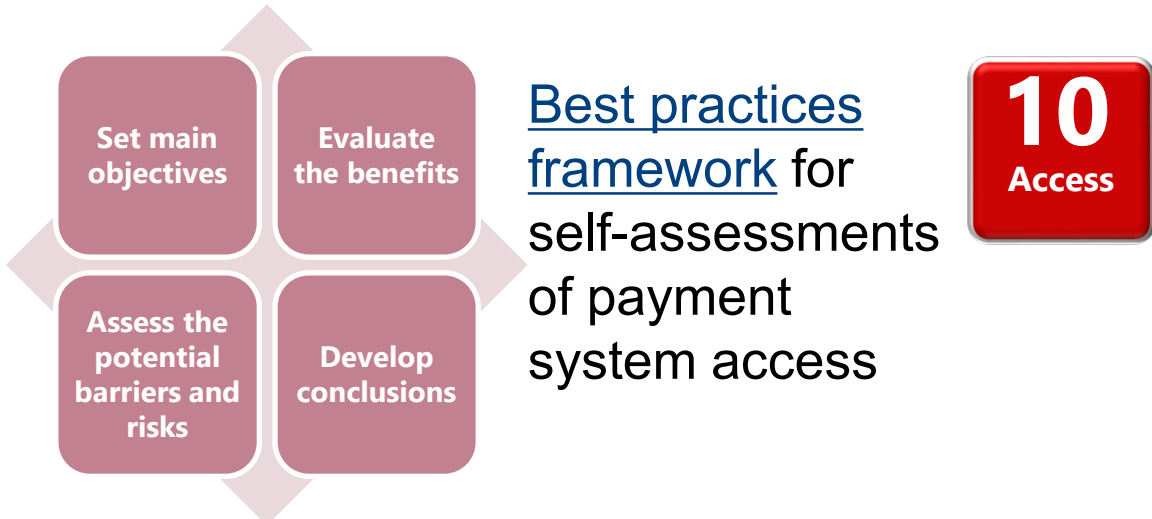
15
APIs



Framework for payment system interlinking and the role of application programming interfaces: a framework

19
CBDC

Report on the options for access to and interoperability of CBDCs for cross-border payments



Framework for central bank liquidity bridges and analysis of their risks and benefits

11
Liquidity bridges

CPMI and IOSCO final guidance on the application of the Principles for Financial Market Infrastructures (PFMI) to stablecoin arrangements

18
Global stablecoins



For further information, see [CPMI website](#)

