

Finality International Limited

Summary responses to the FSB  
Targets for Addressing the Four Challenges of Cross-Border  
Payments – Consultative Document  
(May 2021)

5 July 2021

Confidential

## **Introduction**

This document provides summary responses to the questions set out in the Financial Stability Board's consultative document on [Targets for Addressing the Four Challenges of Cross-Border Payments](#) (May 2021).

Finality International has a vision to enhance wholesale cross-border payments. As a result, Finality International is delighted to have an opportunity to contribute to the G20 agenda and has previously published a blogpost: [Finality: Enhancing Cross-Border Payments](#) (January 2021) that outlines how it can play a role in this.

The Finality Global Payments initiative is focused on wholesale payments and our comments are accordingly focused on that arena. In our view, a critical root cause of the problems in cross-border payments is the number of intermediaries required to facilitate a cross-border transaction. The model change required to solve this problem is to enable wider access to payment systems for more types of financial institutions. We also think that the ultimate goal of these measures is to improve the experience for end users. While measuring end user experience itself may be difficult, we think our suggestions help focus the metrics on the service "felt" by end users.

We believe that two of the proposed measures could be improved. The first measure concerns how speed should be measured while the second concerns the measurement of access for PSPs and other types of financial institutions to payment systems or other arrangements.

The wholesale speed metric is currently proposed to be within one hour of payment initiation for a large majority (75%) of all cross-border wholesale payments. We believe that the definition of payment initiation should explicitly take account of the end user: when the customer gives the order to the correspondent rather than when a correspondent initiates a payment on a payment system. Furthermore, the endpoint should be specified to be when the beneficiary receives the credit for the funds at their correspondent. The rationale for this metric is to measure the true impact to the end users. With this metric, we think the target should be within the same day for the majority (75%) of all cross-border wholesale payments.

With respect to access, we agree with the proposed target for all financial institutions to have at least one reliable option (in terms of infrastructures and providers) and, where appropriate, multiple options for the sending of interbank payments. However, we think that the proposed access measure can be improved to help drive towards the goal of fewer intermediaries involved per transaction. We think that each transaction could have a target measure of two correspondents (the payor's bank and the payee's bank) and a payment system/infrastructure in each jurisdiction by a suitable date in the future. The rationale here is to encourage a reduction in intermediaries who add to cost (including liquidity and compliance costs) and operational complexity, and reduce speed and transparency.

The Finality International team

Question		Response
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?	We agree with the design principles.
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?	We agree with the market segments.
3	Do you have any comments on the target metrics proposed?	<ul style="list-style-type: none"> <li>We believe that the definition of payment initiation should explicitly take account of the end-user: when the customer gives the order to the correspondent rather than when a correspondent initiates a payment on a payment system. Furthermore, the endpoint should be specified to be when the beneficiary receives the credit for the funds at their correspondent. The rationale for this metric is to measure the true impact to the end users. With this metric, we think the target should be within the same day for the majority (75%) of all cross-border wholesale payments.</li> <li>With respect to access, we think that each transaction could have a target measure of two correspondents (the payor's bank and the payee's bank) and a payment system/infrastructure in each jurisdiction by a suitable date in the future.</li> </ul>
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?	We do not have a view on this distinction.
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?	Notwithstanding our comments on speed and access, yes, we agree.
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 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?	As a wholesale market payment infrastructure initiative, we do not have a view on this target.

7	<p>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?</p>	<p>We have already commented on the wholesale market speed target metric. We think that measuring speed from the end-user experience perspective may also have relevance for other segments.</p>
8	<p>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?</p>	<p>We agree with the proposed dates.</p>
9	<p>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?</p>	<p>We do not have any relevant data, but we believe that a combination of the intermediaries and payments systems would have the relevant data.</p>
10	<p>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?</p>	<p>No.</p>
11	<p>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?</p>	<p>We agree with the design goal to keep the proposed metrics simple and small.</p>