

Dear FSB team,

Thank you for giving the opportunity for banks to provide comments to the consultation paper on Payments Targets for Addressing the Four Challenges of Cross-Border Payments.

On behalf of **The HongKong and Shanghai Banking Corporation Limited** and **HSBC Bank (Singapore) Limited**, I would like to share the comments as below to each of the question listed on the paper.

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?

Response: Performance indicators and quantitative targets wherever used, should remain reasonably attainable and achievable to retain stakeholder focus and continued motivation. The key design feature should also take into account the feasibility in data collection by stakeholders in operationalizing tracking against targets.

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?

Response: Agree that the market categorization should be split into Banks/Central Banks, Corporates/individuals and P2P/Micro transfers. Such categorization adequately covers the span of the market utilizing cross border payments.

The market segments are clear and covers the diverse utilization of cross border payments. It would be worthwhile to also be clear what the position of digital banks or super-apps with P2P transfer capabilities is as these straddle the border but are an increasingly important segment.

3. Do you have any comments on the target metrics proposed?

Response: It may be worthwhile to provide a further sub-categorization in the Cost metrics in view that there are pertinent challenges given variability and complexity of market to identify inherent cost in processing cross border payment by the market segment. An index can be explored to review overall market movement/trend on this Metric.

The key challenge foreseen is the collection of data to track performance against these targets.

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?

Response: Agree as the local adoption of P2P cross border settlements may not be as mature thus it may be useful to have a separate tracking for this category. Plus, proliferation of P2P payments on the back of larger digitalization agenda of banks (including EMDEs) would also mean an uptake in relevance in such types of payment. A possible proxy could be digital penetration i.e. smartphone access, e-banking access at a country level.

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?

Response: Suitable to a certain extent. Some targets where it is static, may be worthwhile exploring dynamic or incremental targets annually so there is continued focus and motivation to pursue. Example: "Speed" metric for Wholesale Payments where target of finality of settlement within 1 hour for 75% of cross border payments can be split into 3 % targets at various checkpoints.

However, it is hard to comment or ascertain if these targets are suitable or attainable based on this consultation paper. For example, for Retail payments, with current cost of up to 10% (depending on card issuer / merchant fee), what actions can or will be taken to bring this down to the target of a global average cost of no more than 1%, with no corridors with costs higher than 3% by end of 2027? How was this target set?

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 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?

Response: As with response in point 3, it may be worthwhile to offer another level of sub-categorization for this metric for Retail. The split could be at an individual versus corporate level since the cost associated with cross border payment between these 2 sub-segments may be vastly different.

To driver further proliferation of retail remittances, especially to build confidence on banks' remittance capabilities, agree a cost target should be considered; further, targets on the treatment of fee-paying decisions by the remitter can be considered, e.g., if remitter choses BEN then all organizations in the chain should follow.

7. 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?

Response: Proliferation of domestic fast or instant payment systems continues to be domestic focused and used for last mile delivery or cross border settlements. The cross border leg of transfers continues to be reliant on the typical correspondent banking model thus the consideration indicated in the paper for "Speed" may not be fully applicable. The correspondent banking concept remains true for both Wholesale and Retail/consumer Payments, maybe not so much for P2P settlements. It may be worthwhile to separate these 2 categories and apply different measures considering the current infrastructure.

8. 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?

Response: 2027 would be a feasible target in view that there is inclusion for tracking for the EMDE countries where challenges in meeting the targets would be more difficult relative to a middle/high income country in terms of infrastructure development.

9. 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?

Response: To refer to our HSBC group data sharing policy.

10. **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?**

Response: No further suggestions or questions. A dynamic moving average model that tracks a moving 3-month performance could be feasible given the time scale in play.

11. **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?**

Response: One qualitative target that could be applied would be local government commitment on infrastructural enhancements which directionally improves a country pursuit of the four challenges – notwithstanding translation of these projects may not implicitly improve the measure of the metrics but there may be trickle down effects that may be beneficial.