



G20 Roadmap for Enhancing Cross Border Payments

Scorecard report on direct access
and price transparency

November 2024

7Wise

1. CONTEXT

The **G20 Roadmap for Enhancing Cross-Border Payments** was created to address inefficiencies and challenges in the global cross-border payments landscape.

These challenges include high costs, low speed, limited access, and insufficient transparency for wholesale and retail payments, as well as remittances.

Improving cross-border payments is critical because it can support international trade, financial inclusion, economic growth and development.

The [G20 Roadmap for Enhancing Cross-Border Payments \(2020 - 2027\)](#) has five main priority focus areas, divided into 19 building blocks. Of these, this document will focus on building blocks 2 and 10:

Building Block 2.

Implementing international guidance and principles (including transparency of information provided to end users about payment transactions)

Building Block 10.

Improving direct access to payment systems by banks, non-banks and payment infrastructures

The four pillars of the Roadmap are access, transparency, cost, and speed. This report focuses on access and transparency, as progress in these areas is essential for reducing costs and increasing speed. Despite four years having passed since the launch of the Roadmap, there remains a significant imbalance in the information available to retail consumers, which impedes their ability to make informed decisions. This, in turn, affects the competitive dynamics necessary for market change. Consequently, there are still considerable additional costs that exceed what can be reasonably attributed to the value of the service, adversely affecting some of the world's poorest consumers.

Our critique of the Roadmap lies in Building Block 2, which encompasses all elements of transparency in cross-border payments, not solely cost, making it challenging to measure meaningfully. Therefore, this report will concentrate specifically on price transparency.

This report aims to identify the position of each G20 member—both individually and in relation to one another—regarding their commitments to enhancing price transparency in cross-border payments for end users and improving direct access to payment systems for non-bank institutions. We will assess progress using a scorecard developed for each pillar, as outlined below.

2. CRITERIA FRAMEWORK

Direct Access

The Committee on Payments and Market Infrastructures (CPMI) Monitoring Survey provides a detailed analysis of RTGS (Real-Time Gross Settlement) payment system, Faster Payment System (FPS) and Deferred Net Settlement (DNS) system access across different organisation types and compares domestic and foreign entities. The CPMI has categorised various organisation types, which we have grouped together for simplicity in this analysis.

CPMI organisation categorisation	Alternative categorisation
Commercial banks with a local presence	Banks
Commercial banks without a local presence	
Banks other than commercial (e.g. investment banks, payment banks)	Non-bank PSPs (NBPSPs)
Supervised non-bank financial institutions	
Non-bank e-money issuers (including mobile money providers)	
Money transfer operators	
Post office (if not licenced as a bank)	Other
Central bank(s)	
DNS system operator(s)	
Faster payments system operator(s)	
RTGS system operators	
National Treasury	
Payment cards network operator(s)	

The 'other' category - public institutions and publicly mandated institutions or organisations, as well as card operators - are not a concern for the purposes of this analysis. It will focus on NBPSP access to domestic RTGS, DNS and FPS. The nuances within the NBPSP category, based on licensing regime, terminology and local requirements, will be explored in the analysis below.

Further, the CPMI Monitoring Survey categorises levels of access to a domestic RTGS, DNS and FPS, which again we have grouped together for simplicity in this analysis.

CPMI organisation categorisation

Alternative categorisation

Direct access to a settlement account and central bank credit

Direct access

Direct access to a settlement account but not to credit

Can send transactions directly to the system, without having a settlement account

Indirect access

Can send transactions indirectly to the system via a direct participant, without having a settlement account

No access allowed

No access

We have defined full direct access as a firm having direct access to the payment system and in control of its own settlement account at the central bank. Any other type of access that still requires working with a sponsor has been defined as indirect access.

Scorecard

Based on the above, we have created the following 'scorecard' system, against which we will evaluate members of the G20 on their progress towards Building Block 10:

"Improving direct access to payment systems by banks, non-banks and payment infrastructures".

1/5

Only licenced banks are permitted to have direct access to payment rails.

2/5

Licenced banks and some other institutions are permitted to have direct access to payment systems, but this is not extended to NBPSPs.

3/5

Licenced banks and some other institutions are permitted to have direct access to payment systems, and authorities are currently considering widening access to NBPSPs.

4/5

Authorities are actively exploring widening direct access to domestic payment systems to include NBPSPs.

5/5

Banks and NBPSPs are permitted to have direct access to payment systems and it has been adopted by at least 1 NBPSP.

Price Transparency

Transparency in cross-border payments is defined by the Financial Stability Board (FSB) as PSPs being required to provide a minimum list of information to end-users. The FSB outlines this as “including total transaction costs with relevant charges broken out - sending and receiving fees, FX rate and currency conversion charges; the expected time to deliver funds; tracking of payment status; and terms of service.” As outlined above, this analysis will focus specifically on price transparency, i.e. FX rates and currency conversion charges (including FX margins).

Building on this framework, this analysis takes a more technical approach to how this is both achieved and enforced in domestic and regulatory environments, based on market research. This is because the [FSB’s latest consolidated progress report for 2024](#) claims that “the percentage of services for which a breakdown of total fees and FX margin was provided by remittance service providers increased from 98% to 99% since 2023”, with the caveat that “to be included in the dataset, a payment service must be transparent about its cost.” We believe this dataset does not accurately reflect the true state of the market, and that the 99% claim significantly misrepresents what is the most common practice in industry, namely the padding of FX rates and the failure to disclose that up front, or at all.

The FSB’s consolidated progress report does not consider whether FX fees are obscured in the payment process, or if domestic price transparency regulations exist but are ineffectively enforced across the G20. We suggest that the FSB should reevaluate the KPI methodology and data gathering process and in the interim, qualify the 99% claim with a cautionary note. Additionally, the FSB’s Legal, Regulatory, and Supervisory (LRS) Taskforce should allocate sufficient resources to support an urgent review of price transparency as a priority.

We have conducted user market research across all G20 nations covered in this report. Our methodology involved analysing the payment flow of making an international transfer with both banks and non-bank

PSPs, and checking the exchange rate provided by the financial institution against the interbank mid-market exchange rate, provided by Google. We also checked through the payment flow for any tooltips or linked pages to see if any further information of FX margin padding was disclosed to the customer, up until the final execution of payment.

The country profiles in this report also feature examples of providers in each market, along with an assessment of their transparency regarding the pricing of international transfers. This evaluation employs a traffic light system based on the following definitions:

RED

A financial institution conceals foreign exchange markups from the customer. These charges are not disclosed in the payment flow but are instead found outside of the customer experience, e.g. within the terms and conditions.

AMBER

A financial institution obscures foreign exchange markups and/or other fees in the payment flow by promoting deceptive practices (e.g. “0% fee”, “best rate”), and using tooltips or linked web pages that customers must click on to access this information and get an accurate idea of how much a transfer costs.

GREEN

A financial institution communicates the cost of an international money transfer upfront, clearly displaying all fees, including any foreign exchange fees or mark-ups, to the consumer in a clear and comprehensible manner.

Scorecard

We have created the following ‘scorecard’ system, against which we will evaluate members of the G20 on their progress towards Building Block 2:

“Implementing international guidance and principles (including transparency of information provided to end users about payment transactions)”.

1/5

There are no requirements on all financial service providers to disclose all fees associated with a cross-border transfer, including FX markups.

2/5

There is existing regulation for price transparency in disclosing all fees associated with cross-border transfers, but does not specify FX markups as a fee or cost to the end user.

3/5

Existing regulation requires price transparency in cross-border payments, including FX markups, but this is not well enforced or the regulation is not strong enough to deliver price transparency for end users.

4/5

Authorities are actively exploring new action/rules on price transparency to strengthen end user understanding and force all financial service providers to disclose all cross-border payment fees, including FX markups.

5/5

All financial service providers are required to disclose the total cost up front to end users, including FX markups, when making a cross-border transfer.



UNITED STATES OF AMERICA



Direct Access



Existing framework & access

In contrast to other jurisdictions that provide more inclusive access to payment systems, the United States – where [82% of Americans engage in digital payments](#) – only offers a full-service Master Account. Banks and non-banks can apply for a Master Account, which grants access to the full suite of services from the Federal Reserve, including central bank payment services, but the hurdles for non-banks are much higher than in other G7 economies.

In response to increasing demands for transparency and broader access, the Federal Reserve revised its access guidelines in 2022. This revision introduced a three-tiered approval system: Tier 1 represents traditional banks and is subject to the least scrutiny, Tier 2 applies to non-federally insured institutions subject to prudential supervision by a federal banking agency, and Tier 3 allows for master accounts for entities such as newly chartered banks (not federally-insured and not subject to prudential supervision), subject to the highest scrutiny.

Despite the revised framework, the requirement that a Master Account holder must be a depository institution eligible for FDIC insurance remains unchanged. This stipulation presents a significant barrier for many companies primarily engaged in payment services, as it necessitates a fundamental business transformation to gain access to the payment systems. Consequently, the United States remains the only G7 country that does not either allow direct access for NBPSPs to its national payment system, or have plans to do so.

Ongoing policy developments

- **Federal Reserve on Expanding Access:** Although some believe that the Federal Reserve already has the necessary legal authority to enable access to Settlement Accounts for NBPSPs, it is evident that the Federal Reserve is unlikely to further expand access to its payment systems independently, without additional political support from Congress or statutory revisions.

- **Potential Congressional action:** Legislation to expand access to payment systems faces significant hurdles due to Congressional gridlock, especially on complex issues. The recent termination of Chevron deference implies that future legislation may impose stricter limits on agency discretion. Additionally, challenges include Democratic concerns about the lack of federal-level prudential supervision of payment systems—currently regulated at the state level—and Republican tendencies to support traditional banks. Although some newer and younger Congressional members interested in fintech have raised concerns with the Federal Reserve about limited access, none have emerged as leading champions by sponsoring relevant bills.
- **Tiered approval system:** For companies primarily engaged in payment services, the three-tiered approval system necessitates exploring various pathways to fit within this framework. Some potential avenues include obtaining a charter or trust to apply for a Tier 3 Master Account, through options such as an OCC National Trust, state charter, or Industrial Loan Corporation (ILC). However, the likelihood of approval for such financial institutions (Tier 3) remains low. Since 2017, the [Federal Reserve has received 28 applications](#) from Tier 3 institutions, with only one recent approval. In May 2024, Numisma (formerly Currency Reserve) was [granted a Tier 3 account](#) via its Connecticut charter through the New York Federal Reserve. Conversely, other Tier 3 applications, such as Custodia ([currently litigating against the Federal Reserve](#)) and [The Narrow Bank \(TNB\)](#), have faced denials due to their more controversial business models.

Scorecard

2/5

Licensed banks and some other institutions are permitted to have direct access to payment systems, but this is not extended to NBPSPs.

Price Transparency



Existing framework & regulations

The Consumer Financial Protection Bureau (CFPB) oversees international money transmitters to ensure compliance with the [Remittance Rule](#). This rule mandates the disclosure of certain fees in a consumer cross-border payment, including the amount sent, the amount received, and any fees associated with the transaction. However, the Remittance Rule does not require that an exchange rate markup be presented as a separate fee. This omission allows payment providers to charge hidden fees through inflated exchange rates. It is important to note that the protections offered by the Remittance Rule do not extend to small businesses.

Customer experience

Currently, when a customer initiates a cross-border payment, they are informed of the amount being sent, any associated fees, the exchange rate, and the amount the recipient will receive. The primary issue is that the declared total fees do not need to account for any exchange rate markups. As a result, providers can apply hidden fees through marked-up exchange rates, making it difficult for customers to comparison shop effectively. Consumers regularly have a misleading experience where costs can be listed as "\$0", but hidden within the inflated exchange rate.

Until recently, providers could market their services as having zero fees or promotional rates, only to mark up the exchange rate once the customer used the platform. Fortunately, as of March 2024, the CFPB has [clarified](#) that such practices may be deceptive and could be subject to enforcement actions.

US payment providers' cross-border payment hidden fees based on customer payment journey data collected April 2024

Provider	Exchange rate markup/ hidden fee	Tranparency rating
Wells Fargo	3.67%	●
Bank of America	2.75%	●
JP Morgan Chase & Co	2.85%	●
Citibank	3.7%	●
Xoom (Paypal)	1.6%	●
MoneyGram	1.4%	●
Western Union	1.73%	●
Remitly	1.83%	●

This information has been collected from each of the featured providers, by following their money transfer flows. This is a one-off snapshot from the provider's payment journey at a specific point in time. These payment flows are subject to change. The exchange rate markups may fluctuate.

Ongoing policy developments

In March 2024, the CFPB addressed deceptive advertising by clarifying that promoting "free" transfers while marking up the exchange rate may constitute a deceptive practice under the [Unfair, Deceptive, or Abusive Acts or Practices \(UDAAP\)](#) framework. This announcement marked the first public statement by the CFPB that exchange rate markups are problematic and aligned with the broader Biden administration initiative against "junk fees." While this announcement represents a significant victory in the fight against hidden fees, further actions are necessary to ensure Americans are not subjected to hidden fees via exchange rate markups.

There is growing support from consumer advocacy groups and within Congress to push for more comprehensive transparency. Well-respected consumer and immigration advocates such as UnidosUS, the National Consumer Law Center (NCLC), and Americans for Financial Reform (AFR) have been vocal in their calls for the CFPB to take stronger measures. Additionally, members of Congress on both sides of the aisle have voiced increasing interest in ensuring transparency in financial services, specifically exchange rate markups. This expanding support underscores a bipartisan recognition of the need for further regulatory actions to protect consumers from hidden costs in cross-border payments.

Scorecard

4/5

Authorities are actively exploring new action/rules on price transparency to strengthen end user understanding and force all financial service providers to disclose all cross-border payment fees, including FX markups.

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