G20 Roadmap for Enhancing Cross Border Payments

Scorecard report on direct access and price transparency

November 2024

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)	
Supervised non-bank financial institutions	Non-bank PSPs (NBPSPs)
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)".

Score	Definition
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.

TÜRKIYE

Direct Access

Existing framework & access

Türkiye's legal framework for payment services and non-bank firms is primarily governed by Law No. 6493 on Payment and Securities Settlement Systems, Payment Services, and Electronic Money Institutions, established in 2013. This law outlines the rules, procedures, and principles governing the operations of non-bank firms and payment and settlement systems. The accompanying Regulation on the Activities of Payment and Securities Settlement Systems, issued in 2014, further specifies the operational procedures and principles for payment system operators. According to this regulation, participation rules set by payment system operators must be reasonable, impartial, and clearly defined, ensuring that all legal entities meeting the criteria are allowed to participate.

Since 2012, the Central Bank of the Republic of Türkiye (CBRT) has operated the Retail Payment System (RPS), which processes domestic low-value transfers with an average execution time of 30 seconds. To meet increasing demand for extended operating hours, the CBRT launched the Instant and Continuous Transfer of Funds (FAST) System in 2021. The FAST System operates 24/7, providing instant availability of funds and instant end-to-end notifications. Initially, access to the FAST System was limited to banks. However, in December 2022 the CBRT announced that non-bank payment institutions and electronic money institutions could also become direct participants in the FAST System. As of February 2024, there are 10 non-bank participants in the FAST System, all of which are local e-money institutions. However, while there are no legal barriers to NBPSPs directly connecting to the payment system, there still remain other market access barriers to foreign NBPSPs wanting to operate in Türkiye.

Ongoing policy developments

Further policy efforts are anticipated to build on this momentum. This includes potential regulatory updates to streamline the participation process for non-banks, ensuring that more diverse financial service providers can access the national payment infrastructure. The commitment to reasonable and impartial participation criteria is expected to support broader market entry, thereby driving competition and efficiency.

However, the CBRT remains heavily focused on addressing the country's persistent high inflation rate, which poses a significant challenge to economic stability. Controlling inflation remains the CBRT's primary focus, with ongoing efforts directed towards tightening monetary policy, managing interest rates, and implementing measures to stabilise the Turkish lira.

Scorecard

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

Existing framework & regulations

Under Article 50 of the Regulation on Payment Services, Electronic Money Issuance, and Payment Service Providers, the Central Bank of the Republic of Türkiye (CBRT) mandates that payment service providers must inform their customers about the total fees to be paid. This includes a detailed breakdown of fees such as commissions and loyalty points, as well as foreign exchange conversion rates, where applicable. However, the regulation does not require providers to disclose conversion markups as a distinct fee or cost to the end user.

While this provides a degree of transparency regarding the costs associated with payment services, it falls short of offering complete clarity on the actual markups applied to foreign exchange transactions. Consequently, consumers may still need to conduct their own research to understand the full extent of the charges associated with currency conversion.

The CBRT aims to ensure fairness and transparency in financial transactions and services. However, in practice, the lack of explicit requirements to disclose FX markups allows financial institutions some leeway to include hidden fees within inflated exchange rates. This can make it challenging for consumers to accurately compare costs across different providers, thereby potentially affecting their decision-making process.

Customer experience

In Türkiye, customers commonly use their bank or Western Union to send money abroad. Customers regularly encounter exchange rate markups along with additional fees. Providers in Türkiye typically implement different buy and sell rates, making it very difficult for consumers to effectively comparison shop for the best rate. While the buy and sell rates are widely seen by consumers, these typically include variable markups which are not well understood or explained by providers. These markups can also fluctuate significantly in the percentage difference between buying and selling rates throughout the week.

Customers primarily have access to SWIFT correspondent banking and Western Union options for international transfers through their banks' online platforms. Both methods generally involve additional fees on top of the exchange rate markup. While Western Union offers expedited transfer options, transfers via SWIFT tend to be slower. Furthermore, many banks impose additional charges if a customer opts to complete their transaction at a physical branch rather than using online banking services.

Turkish payment providers' cross-border payment hidden fees
Based on customer payment journey data collected September 2024

Provider	Exchange rate markup/ hidden fee	Tranparency rating
Halkbank	3.47%	●
Ziraat Bankası	3.32%	●
Vakıfbank	3.65%	●
Garanti BBVA	3.08%	●
ING Bank	2.72%	●
Akbank	3.55%	●
İş Bankası	4.13%	●
Yapıkredi	3.12%	●

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

There are currently no ongoing policy developments to improve transparency in cross-border payments by the Turkish Government or the CBRT. The CBRT remains heavily focused on addressing the country's persistent high inflation rate, which poses a significant challenge to economic stability. Controlling inflation remains the CBRT's primary focus, with ongoing efforts directed towards tightening monetary policy, managing interest rates, and implementing measures to stabilise the Turkish lira.

Scorecard

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.

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