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.

CHINA

Direct Access

Existing framework & access

China's internet payment and clearing platform of non-bank payment institutions is called NetsUnion Clearing Corporation Network (NUCC). This platform was established by the Payment and Clearing Association of China and has been under the supervision and regulation of the People's Bank of China (PBC) since 2017. Prior to the establishment of NUCC, there was no centralised clearing system capable of tracking all payment flows within the payment industry. Recognising this gap, the PBC introduced a centralised clearing platform in 2017 to enhance transparency and obtain comprehensive payment information. In August 2017, the PBC issued the "Notice on Non-bank Payment Organisation Network Payment Operations Shifting from the Direct Model to China NetsUnion Platform Handling." This notice mandated that payment operations undertaken by third-party providers involving bank accounts must be processed through the NUCC's network post 30 June 2018, and required providers to connect to the platform by 15 October 2017. NUCC was officially launched in 2018 as the designated platform for the online settlement of non-bank payments, remaining under the supervision and regulation of the PBC.

NUCC serves as the nationwide centralised platform for the processing of transactions conducted by third-party payment providers involving bank accounts. It links e-wallet providers with participating banks, allowing both local and foreign licensed NBPSPs and banks to offer faster and more efficient collection solutions. Additionally, all third-party payment companies are required to maintain direct safeguarding accounts with the PBC for the clearing and settlement of regulated payment activities within China.

Ongoing policy developments

The Administrative Measures for Payment Services Provided by Non-financial Institutions, promulgated in 2010, defined the market access, supervision, and administration of payment institutions undertaking online payments, the issuance and acceptance of prepaid cards, and the acquisition of bank cards. In the publication "Opinions of the General Office of the State Council on Further Optimising Payment Services to Facilitate Payments," there are initiatives aimed at promoting mobile payment convenience and acceptance for both mainland Chinese citizens and foreigners utilising various payment methods. These efforts are consistent with the broader strategy to enhance payment connectivity and convenience in recent years.

China's ongoing policy developments indicate a sustained commitment to promoting a transparent, efficient, and accessible payment ecosystem. The PBC has also emphasised the importance of robust regulatory oversight to ensure the security and reliability of payment systems. This includes continuous updates to regulatory frameworks and the introduction of initiatives aimed at integrating emerging technologies and enhancing the overall payment experience for users.

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

In China, there are no specific legislated laws that govern the disclosure of fees or ensure transparency in foreign exchange transactions. When customers send remittances abroad or make payments for services or goods outside of China, the People's Bank of China (PBC) encourages payment service providers to use FX rates quoted by banks and to convert foreign currencies into Chinese Yuan (CNY) based on directives outlined in PBC circulars.

To improve payment accessibility, the PBC has introduced a series of guidelines. Additionally, the China Payment & Clearing Association of China (PCAC), a self-regulatory body within the payment industry, has announced a reduction in processing fees for converting foreign currency to CNY via Visa and Mastercard. These fees will be lowered from the previous range of 2.5%-3% to 1.5%.

Despite these measures, it remains common practice for banks and other financial institutions to advertise their remittance products as "fee free" or "$0" while incorporating hidden fees such as the bid and offer FX spread. This practice undermines true fee transparency and obscures the actual costs from consumers.

Customer experience

In Chinese banks, the practice of concealing fees in international transfers is common. Banks and payment providers often promote "free" or "low fees" for converting Chinese Yuan to foreign currencies, but they embed their foreign exchange fees within the margin between the mid-market rate and their own bank rates, which is not well understood. Additionally, banks frequently advertise "promotional rates" to attract first-time consumers; however, these rates are usually one-time offers, and customers are not fully informed that subsequent FX rates will be higher. There are no regulations requiring the disclosure of the total fees customers will incur, including both transaction fees and the FX margin.

Chinese payment providers' cross-border payment hidden fees based on customer payment journey data collected August 2024

Provider	Exchange rate markup/ hidden fee	Tranparency rating
China Merchant Bank	0.3%	●
Bank of China	0.2%	●
Industrial and Commercial Bank of China	0.2%	●

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

Currently, there is limited indication that the PBC or the Chinese government is prioritising transparency in cross-border payments. While steps have been taken to reduce processing fees, broader regulatory reforms or definitive guidelines focused explicitly on enhancing fee transparency have not been announced.

The recent measures by the PBC and the PCAC represent a move towards improved accessibility and potentially lower costs, but they do not comprehensively address the issue of hidden fees within the exchange rate spreads. Without explicit legislative actions or enforced regulations, banks and financial institutions will persist in obscuring fees within exchange rates.

For meaningful advancements, a more robust regulatory framework that mandates clear and comprehensive disclosure of all transaction costs, including FX markups, would be necessary. This could ensure greater transparency and foster a competitive environment that benefits consumers engaged in cross-border transactions.

Scorecard

1/5

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

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