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

Afinancial 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.

REPUBLIC OF KOREA

Direct Access

Existing framework & access

The Korea Financial Telecommunications and Clearing Institute (KFTC) is a non-profit organisation established in 1986, jointly owned by member banks including the Bank of Korea. The KFTC owns and operates most of the retail payment systems in Korea, which include the Electronic Banking System, the Cheque Clearing System, the Interbank Remittance System, and the ATM Network.

The Financial Services Commission (FSC) launched a pilot open banking system in the banking sector in October 2019 in an effort to foster greater competition and innovation in the financial sector. Following its successful pilot phase, the FSC announced in December 2019 that the open banking system would be extended to fintech firms. This move allowed non-bank payment service providers (NBPSPs) direct access to the KFTC's infrastructure through a designated commercial bank account, which acts as a gateway to the open banking system.

To gain access, non-banks are required to register and enter into an agreement with the KFTC to designate their gateway bank account. Once non-banks secure access, they can connect through the KFTC-operated platform to all participating banks, thereby accessing account and transaction information held by these banks, subject to customer consent. This system effectively leverages open banking to democratise access, enabling NBPSPs to provide innovative financial services using comprehensive account and transaction data.

Ongoing policy developments

The Korean government is continuously refining regulatory frameworks to ensure the security, compliance, and efficient operation of the open banking system. This also includes efforts to provide broader access and integration opportunities for NBPSPs within the financial system.

These policy efforts highlight Korea's commitment to fostering a competitive and innovative financial sector. By opening up critical financial infrastructure to NBPSPs, the Korean authorities are promoting greater financial inclusion and enabling NBPSPs to play a more active role in the payment ecosystem. This approach ensures that innovation is balanced with robust risk management, contributing to the overall stability and efficiency of Korea's payment systems.

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 South Korea, it is mandatory to disclose the applied conversion rate to customers at the time of transactions. However, banks and financial institutions set exchange rates without having any reference to a benchmark FX rate or how their retail rate compares to a benchmark rate.

The Korean Federation of Banks has made publicly available comparative information of 17 commercial banks based in Korea and their remittance fees to increase competition and transparency in Korea's remittance market. However, this information is only regarding the fixed fee component of a transfer and does not include any indication of the FX margin.

Customer experience

In Korea, the customer experience for sending money abroad differs greatly depending on the method used. Customers can transfer funds through bank branches, online banking, and mobile apps. However, the differences in costs between various banks make it difficult for consumers to compare and choose the best option.

Furthermore, the exchange rates are not transparent to customers. Most consumers cannot distinguish between the explicit fees charged and the exchange rate mark-ups included in their transactions. This lack of transparency makes it harder for customers to understand the true cost of their transfers.

Korean banks also have unclear pricing models. Traditional banks often use VIP tiers and cross-subsidisation practices, offering better rates to their VIP customers while covering these costs through higher fees for regular customers.

Korean payment providers' cross-border payment hidden fees based on customer payment journey data collected September 2024

Provider	Exchange rate markup/ hidden fee	Tranparency rating
Woori Bank	0.95%	●
Hana Bank	0.73%	●
KB Kookmin Bank	1.04%	●

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

Transparency in cross-border payments has not been a priority for the South Korean Government's agenda. Instead, the government's focus has been on bolstering domestic economic resilience and fostering long-term structural reforms. Amid global economic turbulence and domestic pressures, the Government's priorities include sustaining balanced economic growth, managing interest rates to counter inflation, and overseeing the integration of digital financial services to foster innovation without compromising stability. Strengthening the regulatory framework and enhancing cyber resilience in the financial sector are also key objectives, given the increasing reliance on digital platforms and the corresponding rise in cyber threats. Addressing these priorities in the economy and financial services has been the government's central focus, and there is no indication of upcoming policy work on improving transparency efforts.

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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