G20 Roadmap for Enhancing Cross Border Payments

Scorecard report on direct access and price transparency

November 2024

Wise

Context

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)".

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.

INDONESIA

Direct Access

Existing framework & access

Prior to 2021, Indonesia had several payment schemes catering to domestic payment needs. The dominant payment methods at that time were real-time payments managed by four privately-owned ACHs, which were initially set up to process domestic card transactions. Besides the switching options, Indonesia's Central Bank, Bank Indonesia, also offered a batch clearing option (SKN) and RTGS for large-value transfers.

On 21 December, 2021, Bank Indonesia announced a new real-time payment scheme called BI-FAST. Compared to the privately-run switching networks, BI-FAST aims to be a superior option for customers by providing real-time payment options with higher limits (up to IDR 250 million per transaction) and lower fees. Unlike the switching option, the central bank runs BI-FAST. This move has reduced transaction fees from IDR 6,500 under the switching system to a maximum of IDR 2,500 per transaction, with the base cost for banks that become members of BI-FAST as low as IDR 19. These reductions have been welcomed by consumers.

The regulation for BI-FAST is outlined under Bank Indonesia's PADG 23/25/PADG/2021. This regulation allows for the future involvement of non-banks at the discretion of Bank Indonesia by indicating that BI-FAST members can include: 1) Bank Indonesia, 2) Banks, 3) Non-Banks, and 4) Others as decided by the organiser.

The regulation also provides for participants to join as either direct members or indirect members via a bank sponsor model. Becoming a direct member comes with more stringent requirements, including high capital requirements (IDR 6 trillion for banks and IDR 100 billion for non-banks) and qualitative requirements such as significant contributions to the economy and the digital finance industry, as well as supporting Bank Indonesia in monetary, macroprudential, and payment policies.

Given these stringent requirements, non-banks are most likely to qualify only as indirect participants. This model is similar to what is used in Singapore, where non-banks can send payment instructions directly to the BI-FAST system, but the money is settled to their account sponsored by a bank that is a direct member.

Overall, the regulation provides a basis for open participation from both banks and non-banks, opening up opportunities for domestic non-bank PSPs to participate directly in the payment scheme rather than processing transactions through third parties. For foreign NBPSPs seeking to enter and participate in the domestic payment scheme, the challenge lies not in fulfilling the BI-FAST requirements but in meeting the licensing requirements to be licensed NBPSPs. These requirements include having domestic shareholders and local data processing, as outlined in Bank Indonesia regulation 23/6/PBI/2021.

Ongoing policy developments

Since its launch in 2021, BI-FAST has seen significant adoption, with more than 100 members joining the scheme across seven batches of onboarding. In the latest batch, we observed two e-money institutions joining the scheme, which signifies Bank Indonesia's commitment to its policy of allowing non-bank participants to onboard.

Bank Indonesia is a "Special Observer" of Project Nexus, a regionally focused effort to link the fast payment systems of Singapore, Malaysia, the Philippines, Thailand and India. Project Nexus is designed to standardise the way domestic Instant Payment System (IPS) connect to one another. Rather than an IPS operator building custom connections for every new country to which it connects, the operator only needs to make one connection to Nexus. This single connection would allow the IPS to reach all other countries in the network.

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

As the payment system regulator, Bank Indonesia provides guidelines for transparency through its policy document PBI 3/2023 on Consumer Protection and guidelines PADG 23/17/2021 on Consumer Protection. These documents outline the minimum requirements for all payment service providers to disclose information about their services, including fees, benefits, risks, terms, and consequences. This information must be accurate, current, honest, clear, non-misleading, and ethical. Non-compliance with these requirements may result in administrative sanctions ranging from written warnings to business licence revocations. Unfortunately, there are no specific details or instructions regarding the spread on FX rates or the tracking of payment status. Given the general language of the requirements, this may lead to varying interpretations by different payment service providers.

The Otoritas Jasa Keuangan (OJK), as the regulator for the financial industry, provides similar guidelines in its POJK 1 - 2013 on Consumer Protection, and further updated through POJK 22 - 2023 on Customer Protection. These guidelines require all financial industry players to provide accurate, honest, clear, and non-misleading information about their products and services. OJK goes further by mandating that financial service providers inform customers about all fees associated with their products and services and prohibiting automatic charges for new services. However, like Bank Indonesia's guidelines, there are no specific instructions on handling FX or conversion rates, which may also lead to varying interpretations.

Customer experience

Indonesian banks have been advancing in the provision of digital cross-border remittance services. Over the past two years, the majority of large banks in Indonesia have commenced offering these services. Nevertheless, the user experience has shown variation among different providers and generally mirrors the traditional way of doing correspondent banking albeit in a digital format, i.e. the forms that customers need to fill in are still relatively lengthy. Customers are still compelled to answer numerous questions when setting up traditional cross-border transfers.

With respect to fees, these banks transparently disclose the costs associated with such transactions, including the applicable foreign exchange (FX) rate. Regrettably, they do not all reference the mid-market rate or provide details on the FX markup, thereby requiring customers to ascertain the markup imposed by the banks themselves.

Indonesian payment providers' cross-border payment hidden fees based on customer payment journey data collected July - November 2024

Provider	Exchange rate markup/ hidden fee	Tranparency rating
PaninBank	0.7%	● (red)
OCBC	0.1%	● (red)
Mandiri	0%	● (green)

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

Outside of the existing transparency framework under Bank Indonesia and OJK regulations, which is notably high-level and lacks a detailed definition of FX transparency, there is minimal information or literature on any additional policies the regulator might adopt to achieve FX transparency. In their recently released Payment System Blueprint 2030, Bank Indonesia briefly mentions it will follow the G20 Roadmap on Enhancing Cross-Border Payments, which includes transparency initiatives. However, no further details were provided.

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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