G20 Roadmap for Enhancing Cross Border Payments

Scorecard report on direct access and price transparency

November 2024

Wise

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.

CANADA

Direct Access

Existing framework & access

Canada has been undertaking a broad payments modernisation effort in recent years, with a goal to remain competitive on the global stage, foster economic growth, increase competition and lower prices for Canadian consumers, who have been experiencing an affordability and cost-of-living crisis since COVID-19.

Payments modernisation is being implemented through four key initiatives: introducing faster payments via a Real-Time Rail system; establishing a modern licencing framework and market conduct rules within the Retail Payment Activities Act; amending the Canadian Payments Act to expand access to the payments system; and introducing an open banking framework. Together, these payments modernisation initiatives will result in lower payment costs, increased innovation and competition, and enhanced financial stability.

The Budget Implementation Act, including Amendments to the Canadian Payments Act, the key legislative change expanding direct access to the payments system to NBPSPs, received royal assent on June 21, 2024. Amendments to the Canadian Payments Act were first announced in the 2023 Fall Economic Statement. This legislative change is introduced in parallel to the establishment of a new retail payments regime (the Retail Payments Activities Act, or 'RPAA') which requires payment services providers to register with the Bank of Canada and fulfil an array of operational risk, incident notification and safeguarding of end-user funds requirements, with requirements comparable to other payments licences around the world. Registered NBPSPs will then have the ability to apply to become members of Payments Canada, which operates the country's payment schemes, previously only limited to depository institutions. Finally, NBPSPs who meet the Bank of Canada's settlement account criteria will be able to apply to become a direct settlement member of the Canadian payments systems.

Ongoing policy developments

Once NBPSPs register with Bank of Canada (applications open autumn 2024, registrations will be announced September 2025) then payment service providers will be eligible to apply for direct access to Canada's new Real Time Rail (RTR) payment scheme, which is currently being built. Other Canadian payment rails will allow access to the payment scheme, but they will require NBPSPs to settle through a prudentially regulated bank partner.

Scorecard

4/5

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

Price Transparency

Existing framework & regulations

In Canada, financial consumer protection is a complex landscape shared between federal, territorial, and provincial governments. Consequently, federally regulated banks are subject to distinct requirements compared to non-bank payment service providers (NBPSPs), who are currently unsupervised at the federal level. However, this is set to change as of September 2025, when all NBPSPs operating in Canada will be required to register with the Bank of Canada as payment service providers. They will be mandated to comply with operational risk management, incident notification, and the safeguarding of end-user funds requirements under the Retail Payments Activities Act (RPAA).

The Bank Act, enforced by the Financial Consumer Agency of Canada (FCAC), applies exclusively to federally-regulated banks and not to payment/remittance providers. General disclosure requirements under Part XII.2 of the Bank Act are currently insufficient to ensure full transparency in international money transfers. Though the Bank Act and the Consumer Financial Protection Framework enact certain consumer protection and disclosure mandates for banks protecting against false or misleading information, there are no specific provisions targeting remittances or cross-border payments. This regulatory gap allows the major banks in Canada to effectively obscure fees within international transfers.

Customer experience

For Canadian consumers, the practice of hiding fees in international transfers is prevalent. Providers often advertise "no" or "low" transaction fees while embedding hidden fees in exchange rate mark-ups. Additionally, fee information is frequently buried in fine print. While many providers disclose that they profit from the exchange rate, they often do not specify the extent of the mark-up, leaving consumers with an incomplete understanding of the true cost of their transactions.

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

Provider	Exchange rate markup/ hidden fee	Tranparency rating
Bank of Montreal (BMO)	3.77%	●
CIBC	3.29%	●

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

The second phase of the Retail Payments Activities Act (RPAA) presents an opportunity to introduce market conduct rules for all NBPSPs, potentially including remittances within its scope and stipulating specific disclosure requirements. However, no official updates have yet been released on this.

For banks, while the Bank Act mandates general disclosure under Part XII.2, there are still no specific requirements related to international money transfers or remittances, particularly concerning price disclosure.

In line with efforts made by the United States, the Canadian government initiated a "junk fees" campaign as part of its 2023 Federal Budget, in response to the ongoing affordability and cost-of-living crisis. This initiative aims to eliminate non-transparent charges, ensuring businesses disclose prices clearly and making life more affordable for Canadians. In this context, eliminating junk fees, including those in financial services and particularly in cross-border transactions, could become a higher priority for Canadian policymakers in the short- to medium-term future.

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.*

*Current remittance disclosure requirements only apply to federally regulated banks, not NBPSPs.

G20 Roadmap for Enhancing Cross Border Payments

Scorecard report on direct access and price transparency

November 2024

wise.com/g20roadmap