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.

SAUDI ARABIA

Direct Access

Existing framework & access

In 2016, Saudi Arabia unveiled its Vision 2030 national plan, which aims to diversify the economy and promote non-oil sectors such as financial services and technology. The plan aims to have a minimum of 525 financial technology companies operating in Saudi Arabia by 2030, generate 18,000 jobs in the fintech sector, contribute SAR 13 billion (approximately USD 3.5 billion) to the GDP, and secure SAR 12 billion (approximately USD 3.2 billion) in direct venture capital investments.

In line with these goals, the Saudi Central Bank (SAMA) introduced the Payments Services Provider Regulatory Guidelines in January 2020. These guidelines were designed to facilitate market entry for non-bank firms and foster innovation and efficiency within Saudi Arabia's payment landscape. Additionally, SAMA implemented the Law of Payments and Payment Services in February 2022 and issued the Implementing Regulation of the Law of Payments and Payment Services in June 2023, providing further clarity on procedures, licensing, supervision, and oversight requirements. To date, SAMA has granted a total of 26 E-Money Institution (EMI) and Payment Institution (PI) licences to non-banks.

In 2019, the establishment of Saudi Payments, a wholly owned subsidiary of SAMA, further bolstered the national payment infrastructure. Saudi Payments was mandated to develop a secure and interoperable payment infrastructure while ensuring technical standardisation and a level playing field between banks and non-banks. In 2021, Saudi Arabia launched its first 24/7 instant payment system, Sarie. Sarie allows customers of local banks to send and receive fund transfers of up to SAR 20,000 in real-time and offers features such as proxy payments, enabling fund transfers to alternative identifiers like mobile numbers, national ID numbers, or email addresses. There are currently 11 participants in Sarie, all of which are banking institutions. Besides Sarie, Saudi Payments operates Mada (national payment scheme for ATMs and POS terminals), SADAD (electronic bill payment system), and Esal (digital invoicing, integrated with SADAD). These systems are available only to licensed banks.

Ongoing policy developments

While there are significant developments in modernising Saudi Arabia's payment landscape and enhancing domestic payment systems, there is still a lack of clear framework with regard to non-banks' direct access to payment systems. Continuous policy development is required to address this gap. Efforts to establish a clear and inclusive framework for non-banks' direct access to payment systems would not only promote fair competition but also foster a more dynamic and innovative financial ecosystem. SAMA has made positive steps towards this: the regulator has confirmed that the Sarie payment system plans to expand direct participation to include non-banks, once an appropriate review of regulations and requirements are completed. Saudi Arabia's focus on aligning with international best practices and leveraging financial technology will be crucial in driving the next wave of growth and achieving the ambitious targets set out in Vision 2030.

Scorecard

1/5

Only licenced banks are permitted to have direct access to payment rails.

Price Transparency

Existing framework & regulations

In Saudi Arabia, the Payment Services Provider Regulatory Guidelines issued by the Saudi Central Bank (SAMA) mandate that all payment service providers disclose a schedule of fees, charges, and commissions to their customers. This includes currency conversion rates and withdrawal charges, where applicable. However, these guidelines do not explicitly require the disclosure of conversion markups as a distinct fee or cost to the end user. Consequently, although some fee information is available, transparency regarding the specific costs embedded in currency conversion rates remains limited.

Customer experience

Typically, sending money abroad from Saudi Arabia can be a frustrating and costly experience. At first the fees might seem reasonable, but exchange rate markups are commonplace and there are often extra costs like transaction fees or charges from intermediary banks that aren't clearly explained upfront. There is also often a transaction limit on sending money abroad, over which customers are required to physically visit a bank branch. Newer entrants to the market are beginning to provide a better customer experience and competitive fees, but FX padding is still not disclosed.

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

Provider	Exchange rate markup/ hidden fee	Tranparency rating
STC Pay	4.7%	●
Al Rajhi	2.6%	●
Western Union	1.3%	●

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

At present, there are no substantial policy initiatives from the central bank or the government specifically targeting the enhancement of transparency within the cross-border remittance sector. However, given the strategic direction outlined in Saudi Arabia's Vision 2030—which seeks to bolster financial inclusion, foster the development of the fintech industry, and modernise regulatory frameworks—there exists a significant opportunity to reevaluate and potentially enhance transparency in this domain to align with and support these broader ambitions. Vision 2030's comprehensive reform agenda underscores the importance of creating a dynamic and transparent financial sector, suggesting that future policy considerations may increasingly prioritise transparency in cross-border remittances as part of its overarching goals.

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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