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.

AUSTRALIA

Direct Access

Existing framework & access

Australia has an instant payment scheme called the New Payments Platform (NPP) which was launched in February 2018. The NPP was built primarily by Australian Banks and is owned by participating institutions under Australian Payments Plus.

The NPP is a real time, always on payments platform which incorporates data rich payments processing into its operations. The NPP was originally built for domestic payments but in late 2023 and early 2024 the NPP began operations of its International Payments Business Service which was designed to facilitate international payments.

The NPP has three levels of access designed to accommodate different types of entities within the payments ecosystem:

- **NPP Participants:** These entities have the ability to process and clear payments directly. To achieve this level of access, they must hold an Exchange Settlement Account at the Reserve Bank of Australia and possess an Authorised Deposit-Taking Licence. Additionally, they must meet various technical requirements, have robust real-time fraud protection and detection measures, and maintain controls and policies for Know Your Customer (KYC), Anti-Money Laundering (AML), and Consumer Data Right (CDR). Providing a Payment Access Gateway is also a requirement for NPP Participants.
- **Connected Institutions:** These entities can connect directly to the NPP to initiate payments, though they do not process or clear payments themselves. Connected Institutions need to meet specific technical connectivity requirements, have real-time fraud protection and detection measures in place, and ensure compliance with KYC, AML, and CDR controls. Furthermore, they must be licensed to operate within Australia.
- **Identified Institutions:** These entities can offer NPP-enabled payments and products to their customers via a partnership with a fully connected NPP Participant that can manage the clearing and settlement of payments on their behalf. Identified Institutions must have a commercial agreement with an NPP Participant and use the Participant's Exchange Settlement Account to settle customer payments. They also need to have real-time fraud protection and detection measures, as well as KYC, AML, and CDR controls in place.

Although the NPP framework provides tiered access options, it does not allow non-bank entities to directly use its payment infrastructure. As a result, non-bank payment service providers must obtain at least a Limited Authorised Deposit-Taking Institution Licence to access the NPP's payment rails.

Ongoing policy developments

The Reserve Bank of Australia is commencing a study to determine the levels of pricing for the New Payments Platform, including the end user price and the levels of competition inherent in the schemes.

Scorecard

4/5

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

Price Transparency

Existing framework & regulations

In Australia, the current regulations concerning transparency in foreign currency conversion services are governed by non-enforceable "Best Practice Guidance" issued by the Australian Competition and Consumer Commission (ACCC) in 2019, following an inquiry into these services.

The Guidance mandates that online International Money Transfer (IMT) providers must disclose fixed fees upfront and provide a calculator to assist customers in understanding the cost implications. However, it stops short of requiring the disclosure of fees embedded within the markup between the mid-market rate and the retail rate applied by banks. Furthermore, the Guidance permits banks to advertise their services as "fee free" or "$0," even when hidden fees are included within the exchange rate markup.

Customer experience

The experience for Australian consumers of foreign money transfer services currently has consumers seeing the total amount received by a beneficiary through an online calculator, provision of which is mandatory under the Australian Competition and Consumer Commission's Best Practice Guidance. This total amount received will be absent any indication of the FX margin and may have the fee applied out of the money sent or be applied at the end of a transaction.

Banks and traditional money transfer providers still hide their FX fees inside the margin between the mid-market rate and their retail rate. Banks are not required to disclose that they make money from FX margins, however some do. Many banks advertise the international transfers as "$0" or "fee free". There is no requirement to tell a customer that they will be paying through an FX margin.

In October 2024, the ACCC updated their Best Practice Guidance which will require that fixed fees be subtracted from the total amount being sent by a customer. This will standardise the presentation of prices across the industry but will not illustrate any FX markup. The update may benefit those already inclined to compare options but will not display prices or assist consumers who are unlikely to engage in comparison shopping among providers.

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

Provider	Exchange rate markup/ hidden fee	Tranparency rating
ANZ	3.26%	●
Commonwealth Bank	4%	●
National Australia Bank	2.55%	●
Westpac	3.86%	●
Western Union	1.5%	●

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

In July 2024, the ACCC issued a report outlining their rationale for updating the Best Practice Guidance for IMT providers in Australia. The revised recommendations suggest that IMT providers should subtract the fixed fee component from the total amount being sent to the beneficiary to standardise comparison methods.

While this represents progress in improving transparency, it fails to address the fundamental issue of the lack of visibility regarding FX margins and the continued practice of advertising $0 transfers by IMT providers. The new guidance still does not mandate the disclosure of the FX markup relative to the mid-market rate.

The ACCC's report is based on a study conducted by the Australian Government Behavioural Economics Team (BETA). The study concluded that the optimal way to convey the costs associated with international money transfers is to first subtract the fixed fee from the amount being sent. Subsequently, it recommends illustrating the FX margin by showing both the mid-market rate and providing a description of the FX markup in either dollar or percentage terms.

These recommendations aim to enhance consumer understanding of the costs associated with international money transfers, but further action may be required to ensure comprehensive transparency in FX markups and to prevent deceptive advertising practices.

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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