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.

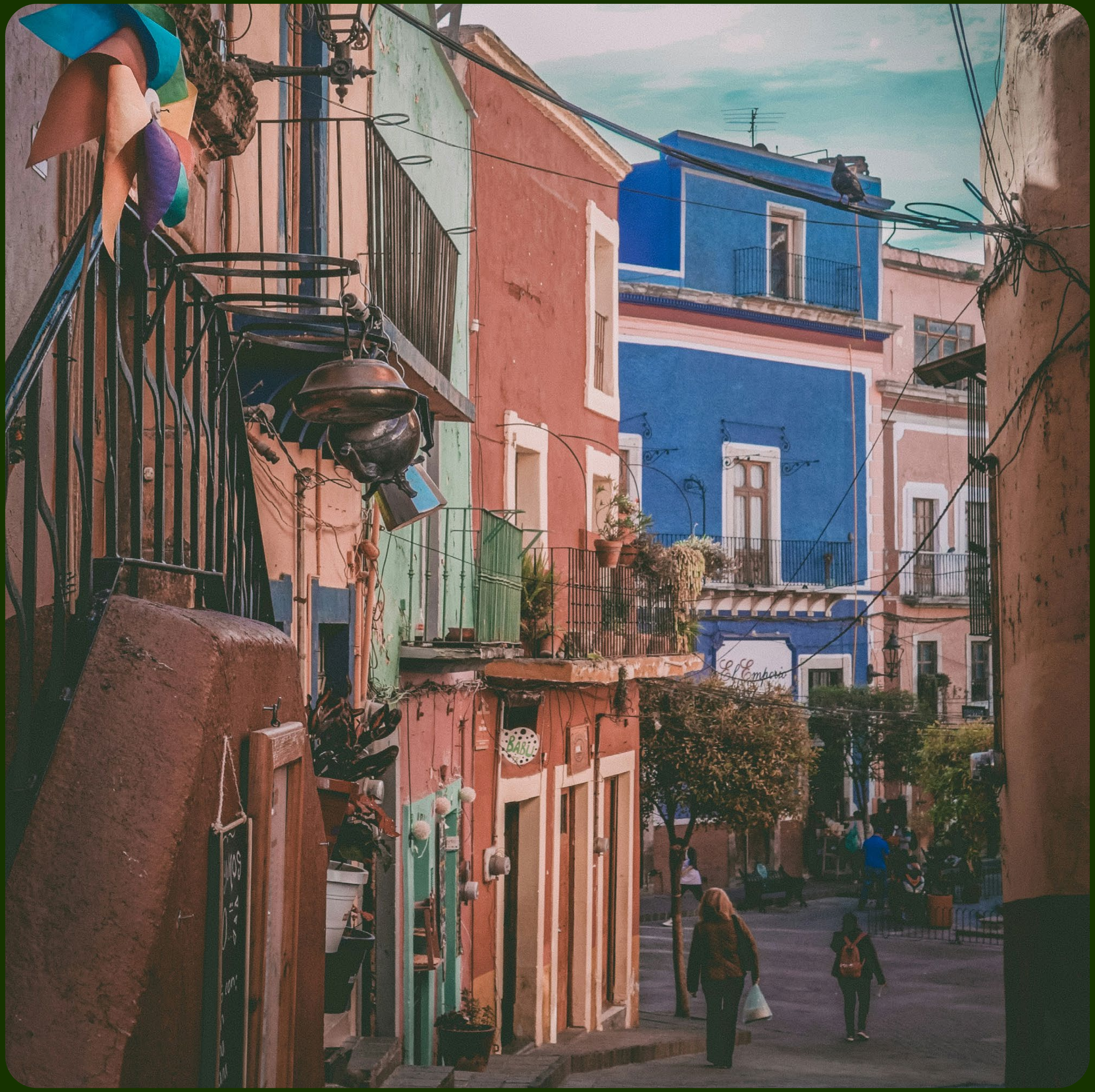
Scorecard

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.

MEXICO



Direct Access

Existing framework & access

In Mexico, non-bank financial institutions were first granted direct access to the country's payment systems with the aim of fostering competition and innovation in the financial sector in 2019. This move was facilitated by the enactment of the Fintech Law, officially known as the "Ley para Regular las Instituciones de Tecnología Financiera" (Law to Regulate Financial Technology Institutions). The specific circular that allowed non-bank financial institutions to access the payment systems is Circular 4/2019, issued by Banco de México. This circular established the regulatory framework and operational guidelines for non-bank financial institutions to participate directly in the country's payment systems.

This initiative, overseen by the Banco de México, enables fintech companies, payment service providers, and other non-bank financial institutions to participate in key payment infrastructures such as the Interbank Electronic Payment System (Sistema de Pagos Electrónicos Interbancarios), known as SPEI. By granting these entities direct access, Mexico seeks to enhance financial inclusion, reduce transaction costs, and improve the efficiency and reach of financial services. This regulatory framework supports a more inclusive financial ecosystem by allowing a wider range of financial players to offer payment services directly, promoting a diverse and dynamic financial market.

The Mexican payment and settlement systems have undergone significant change in the last 10 years. Mexico's Central Bank developed and operates SPEI, and went live in 2004 as a real-time hybrid settlement system for payments. This system was developed to facilitate payments between financial institutions, in addition to enabling them to offer safe and efficient retail payment services to the public. SPEI participants can transfer Mexican pesos from their own account and on behalf of their account holders, in real-time, 24 hours per day, every day of the year. Only financial institutions regulated and supervised by Mexican financial authorities are eligible to participate in SPEI to limit risks that participants generate. These institutions must comply with technical, information security and operational risk management requirements, prior to joining the system.

Circular 14/2017 from Banco de México outlines the criteria and procedures for non-bank financial institutions to access SPEI. It specifies operational, technical, and security requirements non-bank institutions must meet to participate in SPEI directly.

Ongoing policy developments

As of the current regulatory review, there have been no changes to SPEI rules. SPEI continues to function under its existing framework which regulates the conditions and requirements for financial institutions to participate directly in the system. The regulation remains focused on ensuring the stability, security and operation of electronic funds transfers. Current participants are still subject to the same operational, cybersecurity and AML standards as previously mandated with a possibility of future adjustments following the next annual review (December 2024).

Due to the most recent presidential elections the release of new initiatives from the Central Bank remains on hold until the end of the year where the principal institutions will restart the conversations based on the monetary policies and strategies of the new government.

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 Mexico, financial service providers are generally free to set their own exchange rates. The Law for the Transparency and Regulation of Financial Services (Ley para la Transparencia y Ordenamiento de los Servicios Financieros) mandates that financial institutions provide clear and accurate information about the terms and conditions of their services, including exchange rates. Circular 3/2012 issued by Banco de México provides information on how exchange rates should be disclosed to customers.

Financial institutions must inform the public about the exchange rates or prices at which they are willing to buy or sell foreign exchange. The rates must be prominently displayed next to transaction windows or counters and can also be displayed in other areas within the premises. The rules do not go further, however, and currently allow providers to continue to hide fees in exchange rate mark-ups by using inflated rates. The Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (CONDUSEF) oversees these regulations, ensuring consumer rights in remittance transactions are protected.

Customer experience

For Mexican consumers, the practice of hiding fees in international transfers is prevalent, embedding hidden fees in exchange rate mark-ups. Most providers do not specify the extent of the mark-up, leaving consumers with an incomplete understanding of the true cost of their transactions. The customer experience in Mexico varies significantly based on the method used. Mexican customers can send money abroad through their bank branch, online banking platform, or mobile application. Each of these options have different costs for international transfers depending on the bank, making it very difficult for customers to effectively comparison shop between providers.

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

Provider	Exchange rate markup/ hidden fee	Tranparency rating
Paysend	2.87%	●
BBVA	2.61%	●
Inbursa	0.67%	●

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

President Claudia Sheinbaum's new administration presents a unique opportunity to enhance financial inclusion by integrating price transparency in cross-border payments into its agenda. While the President has pledged to respect the autonomy of the Central Bank and maintain the current Minister of Finance to ensure continuity and stability, the administration's focus on tighter regulations aimed at consumer protection and financial inclusion could be broadened to include price transparency in cross-border payments.

There have been efforts to improve financial inclusion by expanding access to banking services for marginalised populations and strengthening financial stability through stricter regulations. State-owned banks like Banco del Bienestar have gained significant public and political support as key instruments for promoting social welfare and increasing access to financial services.

By incorporating price transparency in cross-border payments into its financial inclusion agenda, the Sheinbaum administration could align with broader global goals of financial modernisation, further improve financial inclusion, and ensure that Mexican consumers benefit from lower costs, clearer information, and greater access to international financial services. This approach would significantly impact the financial well-being of both Mexican consumers and businesses, but no progress on this has been made to date.

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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