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".

Score	Description
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.

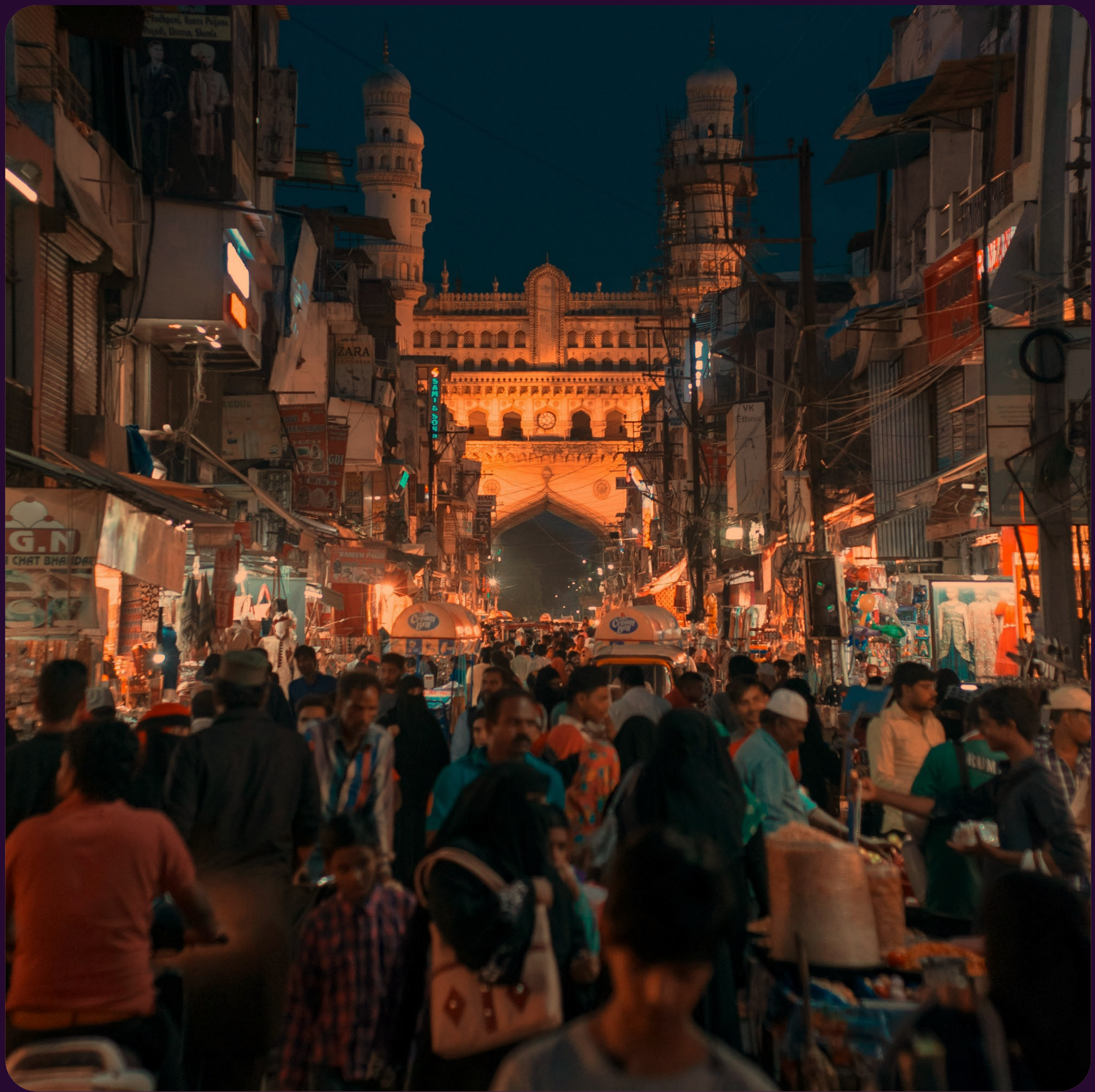
Scorecard

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)".

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.

INDIA



Direct Access

Existing framework & access

India has made significant strides in the field of instant payments through the establishment of two primary schemes: Immediate Payment Services (IMPS) and Unified Payment Interface (UPI). Both schemes are operated by the National Payments Corporation of India (NPCI), an organisation that was set up by the Reserve Bank of India (RBI) and is owned by a consortium of Indian banks.

IMPS was launched in 2010 as a system for interbank transfers between bank accounts. Initially, it facilitated transfers strictly between bank accounts. Over time, additional channels have been introduced, such as transfers using a mobile number, ATM, and branch networks, to further ease account-to-account transfers. Access to IMPS remains exclusively restricted to banks, ensuring that only regulated banking entities can participate directly in this payment scheme.

UPI, introduced in 2016, builds upon the existing IMPS infrastructure and offers a versatile platform for both Person-to-Person (P2P) and Person-to-Merchant (P2M) transactions. UPI allows funds to be transferred through various modes, including mobile numbers, UPI IDs, QR codes, and direct bank account numbers. Payments can be initiated using both push (credit transfers) and pull (money requests) mechanisms, enhancing flexibility and usability.

The UPI ecosystem includes several types of participants in a typical payment cycle: the remitter (customer or merchant), the beneficiary (customer or merchant), Third-Party Application Providers (TPAP), Payment Service Providers (PSPs, which can include banks or certain Non-Bank Payment Service Providers or NBPSPs), and Issuers (remitter banks or Prepaid Payment Instruments, which are lightweight stored value accounts used for small domestic transactions).

Several advancements have spurred the widespread adoption of UPI, including the ability to facilitate small value offline transactions, the availability of certain credit cards for P2M transactions, and international expansion efforts to increase UPI acceptance outside India. Although NBPSPs can access the UPI scheme, they must form partnerships with PSP banks. These NBPSPs typically include lending companies, investment firms, and large e-commerce or travel companies. However, there is no existing provision for NBPSPs focused on remittance services—either for sending money abroad or processing inbound collections—to access the UPI scheme directly.

Ongoing policy developments

Recently, policymakers have introduced the "UPI World One" initiative, allowing foreign travellers to utilise UPI for payments made in Indian Rupees (INR) during their stay in India. This was launched in July 2024. Although only two partners have been onboarded thus far, this development highlights potential opportunities for other cross-border NBPSPs to access the UPI scheme in the future.

The RBI has also announced a revision to the regulations with respect to Authorised Dealers. However, it is not clear whether that would allow NBPSPs to directly deal with FX without having to rely on banks.

Scorecard

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.

Price Transparency

Existing framework & regulations

In India, consumers generally do not receive specific information from their banks about the foreign exchange (FX) fee included in the FX margin. They are usually informed about fixed fees, applicable taxes, and service fees related to their foreign payments, but the details about the FX margin are not provided.

The Banking Codes and Standards Board of India, an arm of the Indian Banking Associations, publishes a voluntary "Code of Bank's Commitment to Customers," which includes guidelines on foreign exchange services.

These guidelines cover various aspects, such as explanations of the services and how to use them, timelines for when the money sent abroad should arrive and the reasons for any delays, the exchange rate used for converting foreign currency (with the rate disclosed later if it cannot be determined at the time of the transaction), and the charges or commissions that customers need to pay. Additionally, it warns that the recipient might also have to pay additional charges to the correspondent bank.

Despite these guidelines, there is no obligation for banks to disclose FX margins or provide current retail FX rates, which would allow consumers to assess the competitiveness of their transactions. There is also no requirement for banks to disclose fixed fees at a certain point in the transaction or to inform consumers that banks can profit from the FX margin.

Customer experience

Customers using Indian banks for foreign transactions often find the process challenging. This difficulty arises because banks are not mandated to disclose current retail FX rates. As a result, customers often execute transactions without being aware of the FX rate their bank applies or how it compares to the prevailing mid-market rate. In nearly all instances, the FX rate is subject to a markup that ranges between 0.5% to 2%.

The absence of regulations ensuring transparency in fee disclosure enables financial institutions with lower FX markups to make claims such as "lowest rates" or "zero transfer fees." Consequently, the overall customer experience is inconsistent and suffers from a lack of clarity and transparency regarding the true cost of transactions.

Indian payment providers' cross-border payment hidden fees based on customer payment journey data collected August 2024

Provider	Exchange rate markup/ hidden fee	Tranparency rating
HDFC Bank (RemitNow)	1.56%	●
Instarem (Nium)	1.2%	●
BookMyForex	0.62%	●

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 Indian Government and Reserve Bank of India are not highly motivated to look at resolving the issues of foreign exchange pricing. Instead, efforts are primarily directed towards improving the infrastructure and expanding access to digital payments to enhance the overall financial ecosystem.

Scorecard

1/5

There are no requirements on all financial service providers to disclose all fees associated with a cross-border transfer, including FX markups.

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