Content

Part I: What are cross-border payments?

Part 2: What are the different types of cross-border payments?

Part 3: Cross-border payment providers: Who are they?

Part 4: Key drivers for the growth of cross-border payments

Part 5: Challenges in cross-border payments today

Part 6: The future of cross-border payments

cross-border payments?

Cross-border (or international) payments are transactions where the sender and th sender and the recipient of funds are based in separate countries and usually with different currencies in play.

A short history of cross-border payments

1000



1973 — Present

A combination of SWIFT + corresponding banking serves as the default network for communication related to cross-border transactions. Although it remains practical for the majority of corporate transactions, the model is not economical, especially for lower value transactions.

1930



2010

2050

1930s - 1970s

The Telex network of teleprinters was the primary tool for banks to facilitate international money transfers in the developed world.



1970

2015 - Present

The emergence of cloud-based Payments platforms has helped increase speed and enable interoperability between all payment methods, while also making it more suitable for lower-value transactions.

Traditional ways of making cross-border payments

The less common the currency pair, more correspondent banks will be involved in the transaction process, incurring costs and delays at each stage.

753



nnn Correspondent Bank



Intermediary Bank



Beneficiary Bank





During an international transaction, there is no physical movement of funds—instead, bankers credit accounts in one jurisdiction and debit the corresponding amount in the other.

What's SWIFT?

SWIFT stands for Society for Worldwide Interbank Financial Telecommunication



- A banking network based in Belgium
- Developed by 239 banks from 15 countries
- Used by 11,000+ financial institutions across 200+ countries and territories



What are the different types of cross-border payments?

Facilitating the flow of money across borders has reached new heights with greater connectivity and fintech solutions—allowing consumers and businesses to enjoy faster, cheaper and more reliable methods for their payment needs.



sumer to Consumer)

 Remittances and payments to family members



Consumer to Business)

- Ecommerce purchases
- Mortgage for overseas property
- Bill payments (education, healthcare)



(Business to Consumer)

- Salary payments
- · Marketplace disbursements
- · Government payouts
- Refunds



(Business to Business)

- International trade
- · Corporate investments
- · Treasury flows

Market size in 2018 by use case segment:

C2C

\$0.7tn

\$37bn 7

5.4% Average pricing* —

\$1.5tn

B₂C

\$1.2tn

\$18bn 7

B2B

\$133.0tn

\$149bn 7

0.1%

Note: * as % of transaction value (includes transaction fees and spread on FX)

Different cross-border payment methods:

12:36

Traditional payment methods

- Bank account transfers
- Card payments
- Carried physical cash across borders
- Used informal trust-based broker networks (such as hawala)

Alternative payment methods (APMs)

- E-wallets or mobile wallets
- Direct debit
- Buy-now-pay-later (BNPL)
- Prepaid vouchers