# Spotlight on speed

## Where to focus for faster international payments

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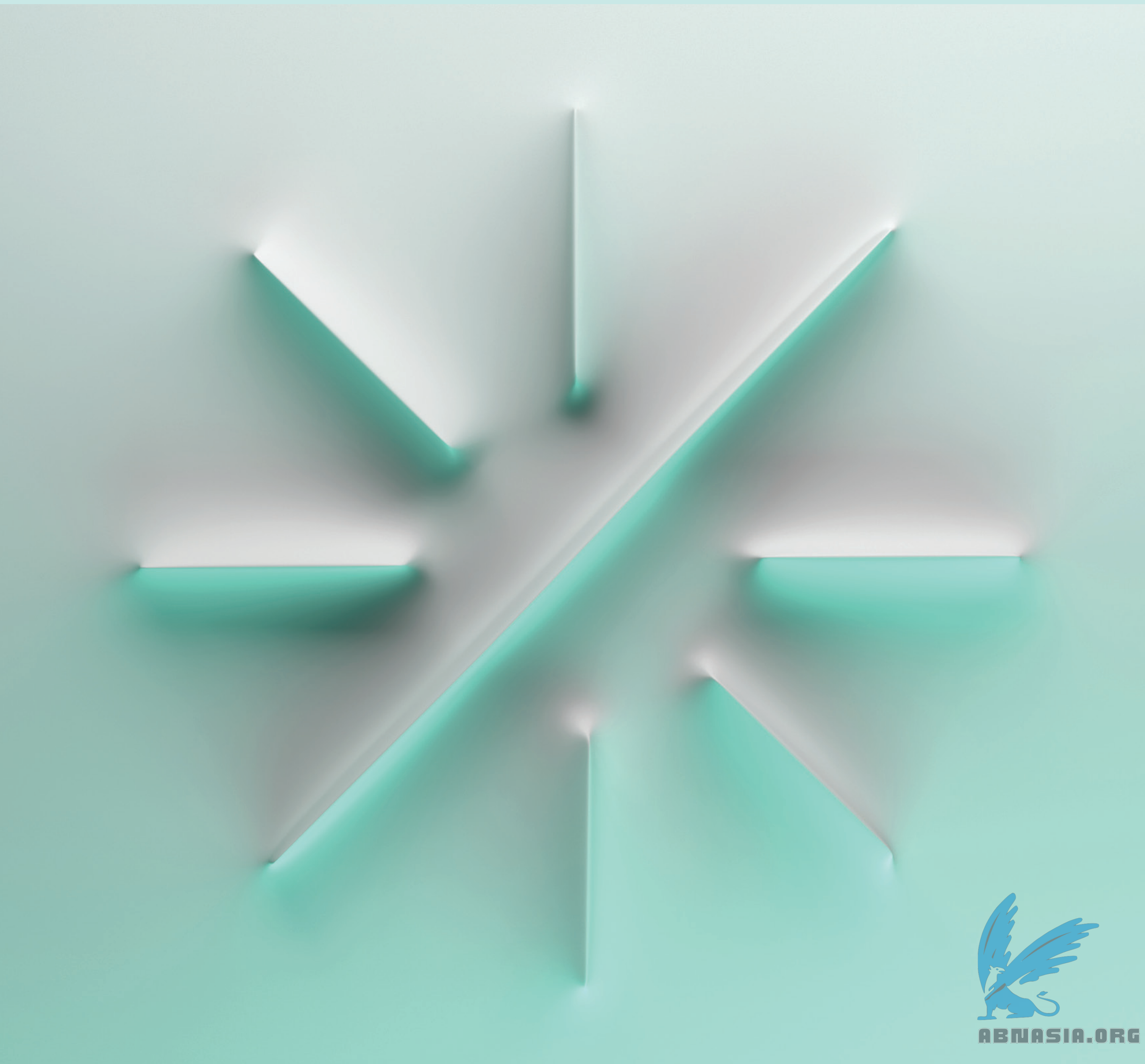

To meet the G20's target for the speed of international payments, more work must be done at the beneficiary leg of the journey in the receiving country, Swift network data reveals.

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## Introduction

In an age of increasing global trade and rising e-commerce, international payments are more vital than ever in supporting businesses and enabling economic interconnectivity. According to McKinsey, cross-border payments drive over $150 trillion in flows globally, and this figure is only expected to grow.

Given the importance to commerce, economic growth and financial inclusion, it's no wonder that there's a massive focus from the financial community, regulators and others to make the international payments experience as fast, frictionless, secure and equitable as possible.

In 2020, at the G20's request, the Financial Stability Board (FSB) developed a comprehensive roadmap to enhance cross-border payments. This roadmap, consisting of 19 building blocks, aims to improve the speed, transparency, cost and accessibility of cross-border payments for wholesale, retail and remittance segments.

The G20 set 2027 as the deadline to meet ambitious targets, and public and private sector stakeholders alike are rallying to the cause. The targets cover several important areas. And on the speed of cross-border payments, Swift data can provide important insights.[1]

The equivalent of the world's GDP moves via the Swift network roughly every three days, and these transactions include tracking information for millions of international payments. What we see by looking at the data is that international payments today travel quickly between the banks sending and receiving payments. When delays occur, however, it is typically due to factors in the receiving country that slow down the process between when the funds arrive at the end-customer's bank and when they're credited to their account.

In this short paper, we aim to show the differences in speed between countries and highlight the constraining factors that are impacting a fast payments experience. These insights can help decision-makers identify the additional steps required to enhance the speed of cross-border payments to achieve the G20 targets.

[1] Swift provides data to the FSB for the wholesale payments (defined by the FSB as payments with a value of USD 100,000 or more) speed KPI of their Annual Progress Report on Meeting the Targets for Cross-border Payments. In this paper, we have used a broader dataset covering all cross-border payments regardless of value on the Swift network. Because financial institutions have multiple means to exchange information about their financial transactions, Swift statistics on financial flows do not represent complete market or industry statistics. Swift disclaims all liability for any decisions based, in full or in part, on Swift statistics, and for their consequences.

# The payments transformation journey is well underway

## The payments transformation journey is well underway

Collaboration is key to driving progress towards enhancing the payments experience. This is also central to Swift's mission to enable instant, frictionless and interoperable international transactions, for today and as the landscape evolves. Over the past few years, the global financial community, together with Swift, has made great progress in enhancing the overall payments experience. Improvements are happening at every stage of the transaction lifecycle, for high and low-value payments, as well as existing and new forms of value.

Today, a number of services are available to enhance payment processing, including pre-validation to ensure important details are correct upfront, end-to-end tracking to improve predictability, and solutions to speed up resolution when errors or delays occur. Transactions are now centrally orchestrated and increasingly powered by rich ISO 20022 data, which reduces costs and friction. And we've taken measures to enhance anomaly detection and compliance checks, so that international payments are not only fast, but also safe.

As new technologies, systems, and forms of value – like digital assets and currencies – continue to emerge, alongside the development of potential new models to connect to instant payment systems, we're also focused on ensuring international interoperability so that domestic or network-based initiatives do not become isolated 'digital islands'. By collaborating to tackle fragmentation and enable seamless global interconnectivity, we aim to create the conditions for these innovations to scale and contribute to an instant and frictionless future where cross-border transactions are as seamless as domestic ones.

In many cases, international payments also rely on domestic systems in the countries where they're sent or received. Messages carrying payment information across Swift feed into these domestic solutions via financial institutions (e.g., banks and other payment service providers), before they reach the end-customer's account or wallet in the receiving country.

With the introduction of Swift GPI in 2017, international payments on the Swift network are tracked all the way to the receiver's account. Thanks to this ability, we're able to see where in the overall journey payments are fast, or where delays occur.

# So where do delays occur?

## So where do delays occur?

Today, 90% of all cross-border payments processed on the Swift network reach the beneficiary bank within an hour.[2] That's already well ahead of the speed targets set by the G20 to achieve one-hour end-to-end processing for 75% of cross-border payments by 2027.

Contrary to popular belief, very few international payments pass through long chains of intermediaries before arriving at their destination. Swift data shows that 86% of all payments on the network are conducted directly or with a single intermediary. And as most intermediaries have streamlined their payments processes – automating where possible to reduce costs and delays – the role of intermediaries in the payments process typically adds little time to a payment's journey.

Looking at data on the Swift network, we're able to show how long it takes to reach both the beneficiary bank and the end customer themselves. These two datasets highlight where the issues are in achieving the G20 speed target and where further attention is needed.

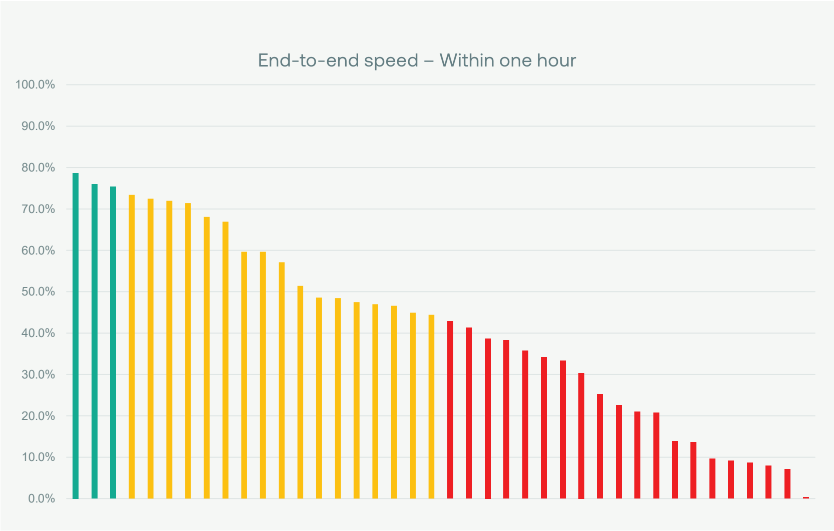

Graph 1 – Speed of payments over Swift to the beneficiary bank in top 40 receiving countries and territories

[2] This is for all cross-border payments on Swift. Looking at cross-border wholesale payments (defined by the FSB as payments with a value of USD 100,000 or more), 90.4% reach the beneficiary bank in under an hour. For cross-border payments under USD 100,000, it's 89.5%. The processing time does not include national holidays or non-banking days in the receiving country.

As shown in Graph 1, for the top 40 receiving countries and territories on Swift, which represent a broad cross-section of geographies and economies, in almost all cases between 80% and 90% of cross-border payments arrive at the beneficiary bank within an hour from initiation. And all countries except for two are above the G20's 75% target. This reflects the great strides the financial community has made in enhancing international payments in recent years.

This also shows that there is very little difference between countries in terms of the time it takes for payments to reach the beneficiary bank in the receiving country. While improvements can still be made during the payment's journey to the end-customer's bank, these are unlikely to make a big difference to achieving the G20's speed target, as this part of the payment journey is already near or significantly higher than the target.

If we compare this with the overall time it takes to credit the end-customer's account in the receiving country, however, a very different picture emerges, as shown in Graph 2.




Graph 2 – Speed of payments to the end-customer's account in the top 40 receiving countries and territories on Swift

What this shows is that, while in-flight processing between originating and destination banks has significantly accelerated, it's at the last leg between when the funds reach the beneficiary bank and when they're credited to the recipient's account where delays typically occur. The speed varies widely between receiving countries as can be seen in Graph 2, ranging from less than 5% reaching the account in under an hour in some cases to over 75% in others. As a result, globally 43% of payments are currently credited to end-customer accounts in under an hour.

# Uncovering the root causes

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Factoring in the time it takes the payment to go from the beneficiary bank to the end-customer's account, we start to see big differences between countries. Broadly, Graph 2 can be broken down into three groups:

- **Higher-speed countries**, shown in green, that are already meeting the G20 targets. These are countries with developed real-time systems, with most banks operating 24/7 real-time back offices and where there are no significant FX or currency controls on incoming payments, or if they are in place, they are automated and executed quickly.
- **Medium-speed countries**, shown in orange, where there are a variety of possible causes for the reduced speeds. In some cases, time zones can be a factor and systems may already be closed when payments arrive. In other cases, there is a difference in the speed of institutions crediting the clients or updating the tracking information, which may be the result of batch processing in back-office systems.
- **Slower-speed countries**, shown in red, where a combination of factors may be impacting the speed of payments. In addition to the factors affecting medium-speed countries, there are other factors that impact the speed of crediting the end customer. Often these involve the need to contact the receiver before crediting their account to check that the payment is expected or to confirm the final account. Sometimes these could be regulatory requirements, in other cases they may be local market practices.

Swift does not take a position on the necessity of these checks, nor do we have an overview of the precise details of the reasons for the speed variation by country. What we aim to show, however, are the factors that can impact the speed of international payments so that mitigating action can be identified and taken, if desired.

# It’s time to act

## It's time to act

International payments have improved significantly in recent years as a result of initiatives like the G20's roadmap, Swift GPI, and others that are moving the industry toward an instant and frictionless experience.

As we've seen, today 90% of all cross-border payments processed on the Swift network reach the beneficiary bank within an hour. However, further progress on speed requires significant attention to the last leg of the payment, where delays are most likely to occur.

That factors in the receiving country, such as FX and currency controls, batch processing and opening hours of market infrastructures are the cause of delays was broadly identified in the 2022 Bank for International Settlements (BIS) report, Swift GPI data indicate drivers of fast cross-border payments. And over time, with the accumulation of more data, this has become even more apparent.

Ongoing initiatives will help speed up payments between banks even further. These include industry-wide adoption of the rich and structured ISO 20022 data model for cross-border payments and reporting; increased use of Swift's friction-reducing services and new solutions that help banks increase speed and transparency to end users while providing insights to help them work towards the G20 goals; and the use of technologies like AI and APIs. But this alone may not be enough unless action is also taken in countries to ensure end customers receive the money on their accounts in line with the G20's target.

Swift

We're the global specialist in financial transactions – the way the world moves value across borders, through cities and over seas. We keep funds flowing, supply chains moving and the world's economies turning. No other organisation can address the scale, precision and trust that this demands.

We're unique too: a neutral cooperative established to provide a safe, secure and reliable way for the financial community to send transactions across borders. We're always striving to be better and are constantly evolving in an ever-changing landscape. We innovate tirelessly, test exhaustively, then implement fast. In a connected and challenging era, our mission has never been more relevant.