



**Redefining  
cross-border payments**

A guidebook for licensed  
financial institutions

# A guidebook for licensed financial institutions



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# Introduction

For any business involved in payments, the pressure is on to evolve or fall behind. This is especially true for licensed financial institutions (FIs) – those companies engaged in the business of dealing with financial and monetary transactions such as cross border payments, funds transfer and currency exchange.

Financial institutions represent a broad swathe of businesses within the financial services sector, but this guide will focus on ➔



Of cross-border payments expect in 2022



## BANKS

Financial intermediaries that accept deposits and make loans, as well as provide customers with ability to transfer funds across the globe and facilitate customer payments.



## PAYMENT SERVICE PROVIDERS (PSPS)

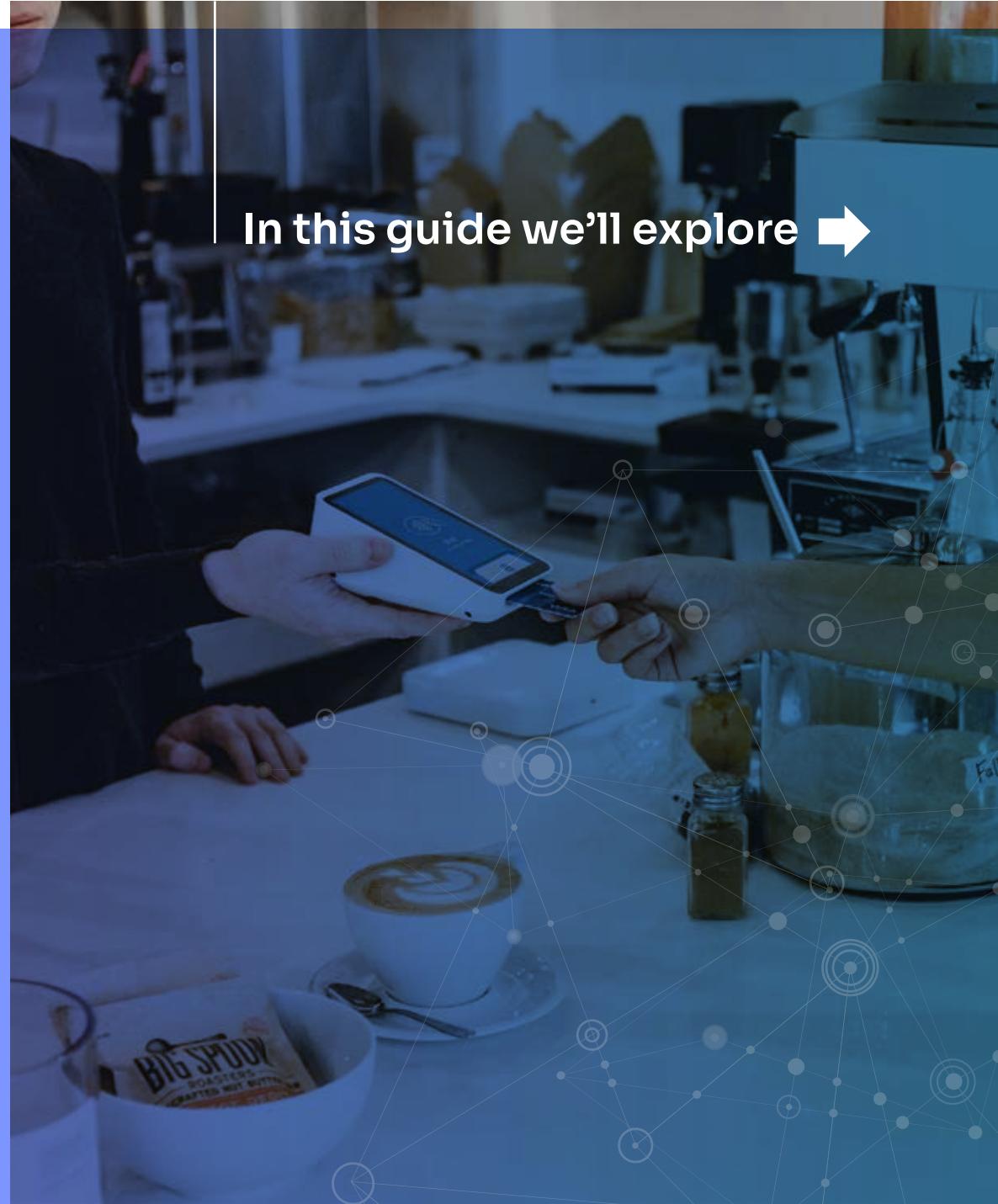
Third-party companies that help business owners accept a wide range of online payment methods, like online banking, credit cards, debit cards, e-wallets, cash cards, and more to facilitate transactions safely and securely.



## FX EXCHANGE HOUSES

Multiple types of institutions that facilitate exchange of currencies, either direct with customers such as Money Transfer Operators (MTO) or enabling PSPs to cover their FX needs when collecting funds across borders.

All these institutions face a rapidly evolving commercial, technological and regulatory environment. The way they engage with change will determine which businesses lead the way, and which fall behind.



In this guide we'll explore ➡

**Why the market is demanding more from payments and the financial institutions facilitating them**

**The key opportunities available for modern payment enablers**

**The key challenges for transformation**

**How the right tools can give your business a competitive advantage**

# Challenges in the payment sector

The sector faces a range of challenges in adapting to the demands of the new world of payments:



## INTERNATIONALIZATION

Cross-border payments are predicted to hit \$156trn by the end of this year, with B2B as the key growth driver, accounting for 97% of cross-border payment volumes in 2022.



## REVENUE

Revenue from payments has been in steady decline over the last decade. The global contribution of net interest income (NII) to payments revenue has declined steadily from 51 percent in 2010 to 46 percent in 2020.



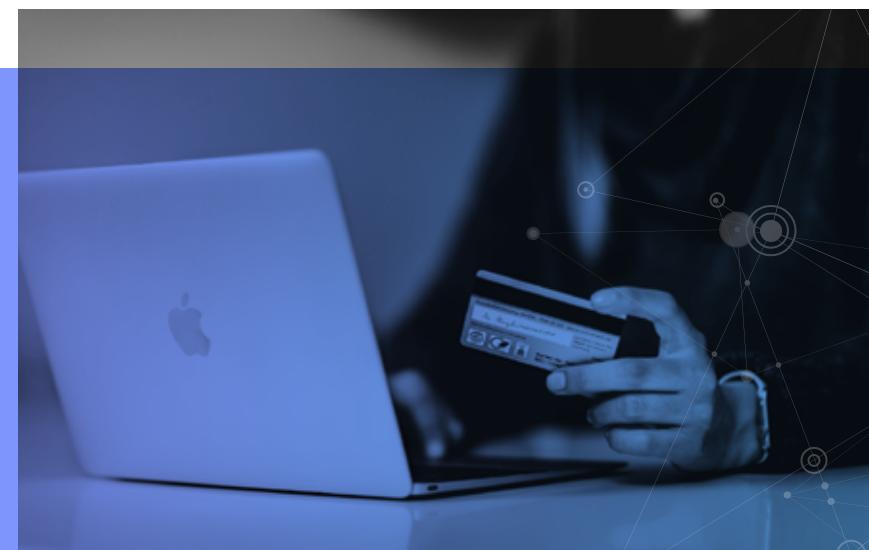
## SERVICE

Real-time payments are already becoming the norm, with many countries having completed or being in the process of modernizing their national infrastructures, with payment facilitators often lagging behind in speed and efficiency.



## INFRASTRUCTURE

Traditional correspondent banking rails entail high fees and multiple hand-offs and failure points, limiting flexibility and innovation when compared with new competitors.



Licensed financial institutions face the twin challenges of updating their core infrastructure to enable the fast, seamless, transparent payment experience that modern customers expect while also managing their costs in transformation and operational execution.

# What's going on in the payments market?

Payments are the fuel that powers business. And as the global economy becomes ever more interconnected, competitive and accelerated, payments enablers face new challenges in providing the coverage, speed and experience the market demands.



58%  
OF  
SMES

say they are sending and receiving  
more cross-border payments now  
than they were before the pandemic

## Business is global by default

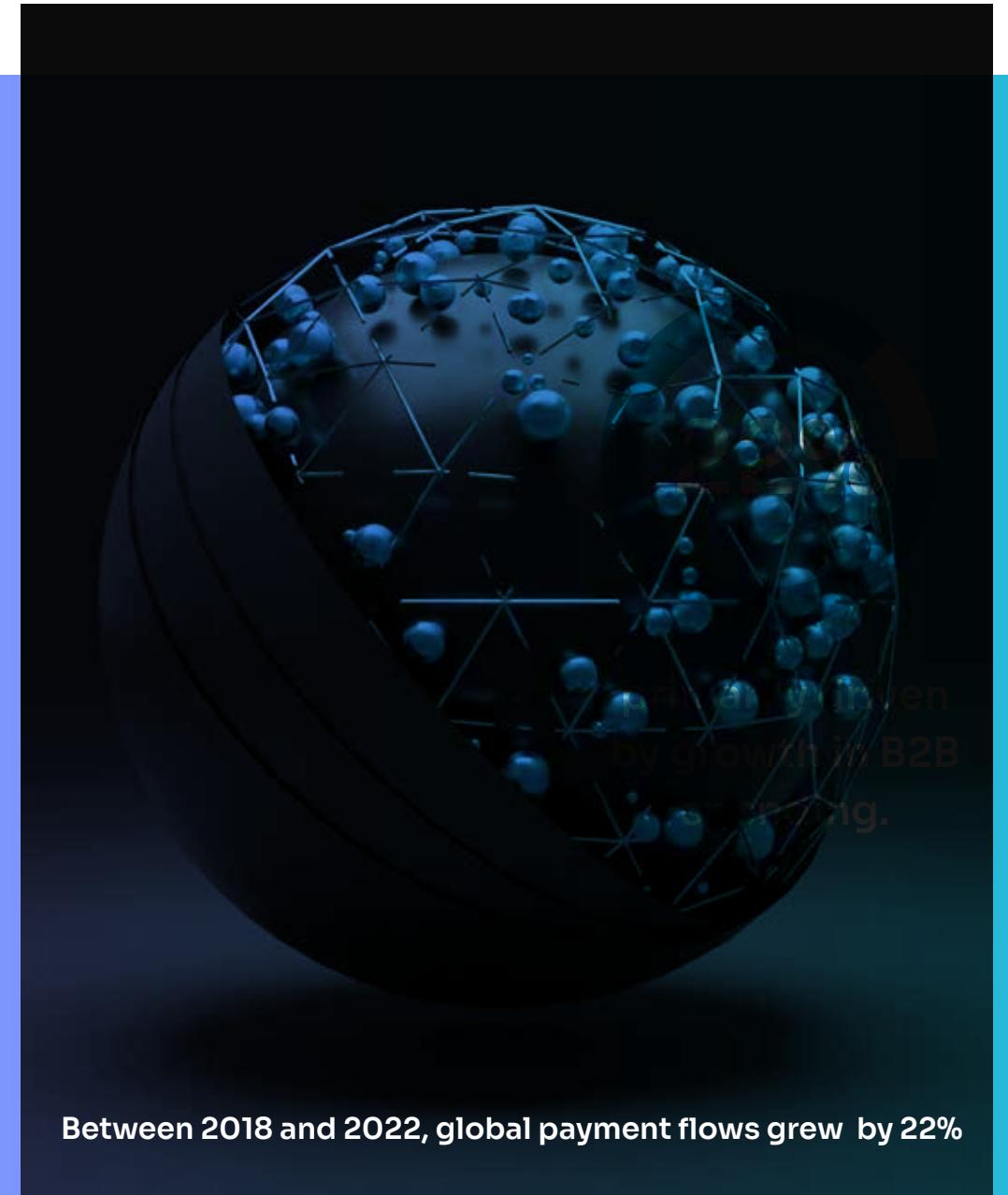
Business and customer networks, supply chains, and workforces are increasingly expanding beyond geographical borders, with businesses and customers expecting to access commercial opportunities on a worldwide scale.

Between 2018 and 2022, global payment flows grew by 22%, primarily driven by growth in B2B spending.

58% of SMEs say they are sending and receiving

more cross-border payments now than they were before the pandemic – a significant increase from 2020, when 38% surveyed said they had increased their use of cross-border payments since the pandemic began.

With this expansion comes new customer expectations, as well new security risks, compliance challenges and a need for more comprehensive payment infrastructure.



## The payments technology revolution

New technology has made the cross-border payments landscape more fragmented and competitive, with fintechs, digital banks, big tech, as well as incumbent financial services players adopting new tools to remain relevant.

Many incumbents still rely on a patchwork of outdated networks, time-consuming manual processes and inefficient networks of partners to enable payments, driving up costs, slowing the payment flow and not providing best in class customer experience.

PYMNTS's research found that real-time disbursements accounted for 17% of all disbursements made in 2021,

up from almost 6% 2020. Wire transfers and other payment methods are often ill-equipped to keep international partners and employees satisfied. These transactions pass through an average of six financial institutions (FIs), and wire transfers can take as long as five days to arrive.

U.S. businesses wait an average of 33 days to receive payments from their cross-border business partners, while U.K. businesses wait an average of 30 days.

Costs for sending funds overseas remain high, with the global average being 6.5% of transaction value, rising to 8.2% in some regions.

**33  
DAYS**

**is the average  
payment wait time  
for cross-border  
payments for US  
businesses.**



## End-user-focused payment experience

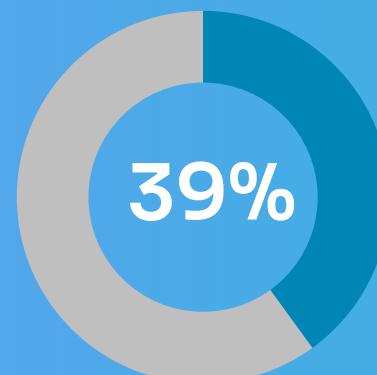
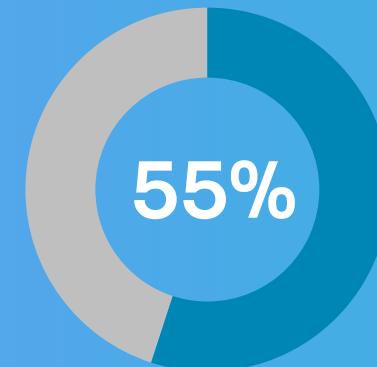
Both businesses and consumers dealing with financial institutions expect payments to be as fast and intuitive as other areas of their digital lives. The growth of e-commerce, alternative payments methods and mobile payments have created a need for faster, cheaper and more transparent cross-border payment solutions, but existing systems are falling behind.

72% of SMEs are using web-based payment platforms

from banks, money transfer companies and other providers, and approximately two-thirds are using mobile apps.

Nearly 55% of businesses say they worry about both fraud and data security when receiving international payments.

39% of SMEs say 'Cross-border payments slow down our supply chain' while 36% say there's 'No transparency about how much money we lose in foreign exchange/transfers'.



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## Redefining competition for financial institutions

In this changing market, financial institutions are under pressure to adapt, from new market entrants, customer expectations and pressure on their margins and processes.

The leading providers will be those who can offer a competitive customer experience at scale, combining speed, security and compliance with an effective operational workflow that maintains margins and service levels.

This requires a technological revolution, using new

technology and processes to update payment workflows:

Application-to-application (A2A) APIs  
Agile system architecture  
Integrated ecosystems covering for data and reporting  
Global licensing structures  
Local rails for global coverage

Without the right technology, financial institutions operating with legacy connectivity and manual processes will see rising costs and be unable to offer the speed and convenience that businesses and consumers expect.



## Embracing opportunities in payments

Despite the challenges above, businesses who can effectively adapt to the new commercial and technological environment have the opportunity to pursue new routes to growth and efficiency, building a competitive advantage through experience and innovation.

# The race for emerging markets

Top 5 Countries for Remittances 2021



Emerging market growth has increasingly outstripped domestic markets when it comes to payments:	have increased their use of cross-border payments, as have 70% in Mexico, two-thirds in Saudi Arabia and more than 60% in China and the United States.	lacking transparency and control.	In India, almost three-quarters of companies have increased their use of cross-border payments, as have 70% in Mexico, two-thirds in Saudi Arabia and more than 60% in China and the United States.	raises the need to provide and process alternative payment types, such as virtual cards, app based payments and alternative currencies.
The top five recipient countries for remittances in 2021 were India, Mexico (replacing China), China, the Philippines, and Egypt.	However, financial links between these regions can still be slow and inefficient when relying on expensive patchworks of providers, if they exist at all. While many institutions have good offerings for payouts in the E.U. or U.S., managing payments in emerging markets can be complicated, slow,	Nearly two billion adults globally—one-third of the world's adult population—remain unbanked, with nearly all of them living in emerging markets. This is leading users in these regions to turn to alternative forms of payment, with the share of adults making or receiving digital payments in developing economies growing from 35 percent in 2014 to 57 percent in 2021, outpacing growth in account ownership.	Mobile money has become an important enabler of financial inclusion in Sub-Saharan Africa. Especially for women, it is both a driver of account ownership and account usage through mobile payments, saving and borrowing.	Those that can expand their networks and payments types can extend their reach into additional markets or corridors they don't service to grow new customer bases, serving both local customers and the increasing number of merchants who sell in these markets that need to transfer funds back to the U.S. or EMEA.
Global remittance flow to low- and middle-income countries increased 7.3% to a total of \$589 billion in 2021.			For institutions, this	
In India, almost three-quarters of companies				



In India, almost **3/4** of companies have increased their use of cross-border payments, as have **70%** in Mexico, two-thirds in Saudi Arabia and more than **60%** in China and the United States

## Cost reduction and efficiency

Current solutions rely on legacy communications networks between banks, with significant manual work often required to achieve the transfer. Even some newer solutions tend to apply a digital veneer to outdated infrastructure. This leaves institutions and their users dealing with:

- ▶ **A lack of transparency end-to-end**
- ▶ **Long settlement periods**
- ▶ **Higher transaction costs**
- ▶ **Limited accessibility for businesses.**
- ▶ **Limited controls and lacking data and reporting**

With these limitations, financial institutions are unable to innovate or drive value from payments. At the same time, they also need to evolve to keep up, expanding into new markets, following their customers global commerce growth and finding new efficiencies and cost reduction for existing corridors

However, many are stuck working with expensive systems that lack global coverage and real-time functionality across all markets, leaving them reliant on complex partner and aggregator networks to enable customers payments.



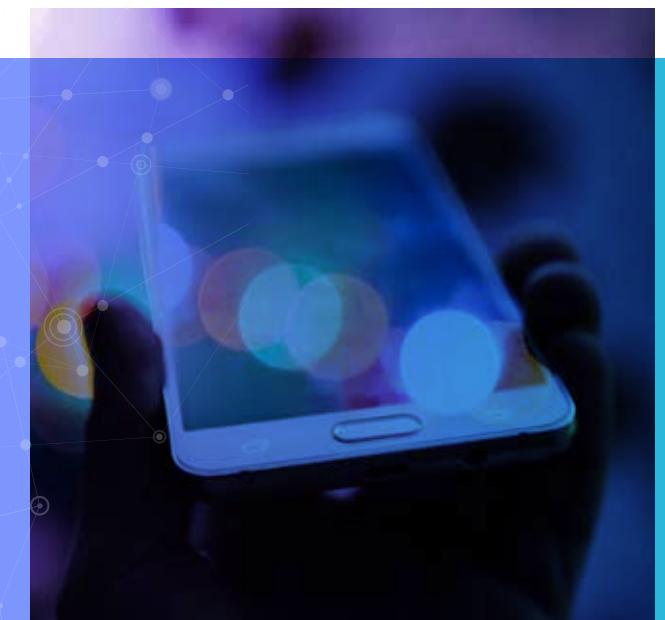
## The payment infrastructure advantage

Customer experience is only as good as the payment rails that deliver the experience. However, the majority of institutions have limited access and control over the means and methods they use to send and receive payments.

- Controlling the price, speed and experience of your payments journey requires controlling the rails.

## A model for Modern Money Movement

Choosing the right technology is a key step in building the service that modern payment customers expect. Licensed financial institutions need a global platform for Modern Money Movement that allows customers to embrace global opportunities scalably and flexibly.



### Customers now expect:

- ▶ Speed of transactions immediate and supported by real time payments
- ▶ Transparency on transactions – status updates, validations, access to data and reporting and notifications.
- ▶ FX flexibility with the ability to find market-based rates and effectively monetize FX revenues
- ▶ Integration with existing systems and networks, reducing additional investments.
- ▶ Global service to ensure the same experience across local time zones a key differentiator
- ▶ Multiple market coverage with full security and compliance, onboarding and support

## This sets the standard for modern technological capabilities. Institutions need to implement systems that can deliver:



### Local and Global Reach

True global connectivity requires building individual links with banks, as well as maintaining that infrastructure in the face of new technology and regulations to connect with new businesses as they arise and scale efficiently.



### Multi-currency, multi-method

Enabling money movement through a diverse range of payment modes and methods, from cash to virtual cards, fully currency agnostic, as well as being digital-currency ready.



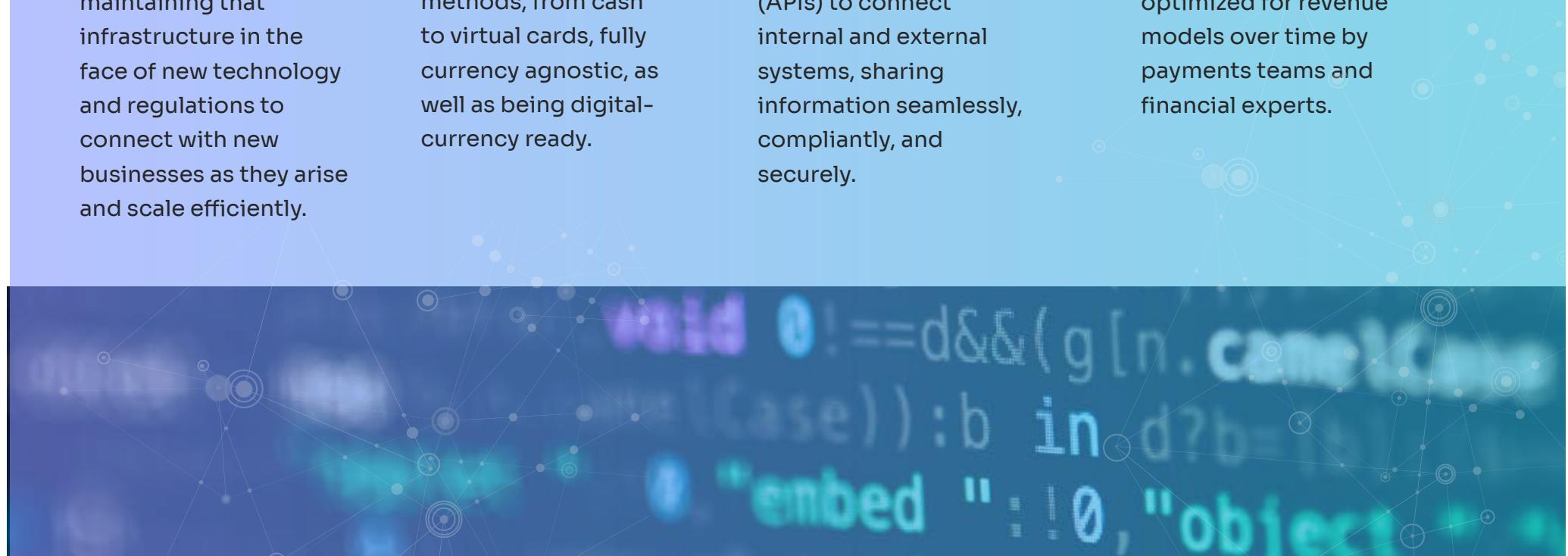
### API-based Technology Access

Linking together a modern suite of application programming interface (APIs) to connect internal and external systems, sharing information seamlessly, compliantly, and securely.



### Real-time functionality

Moving money instantly and transparently, in a way that can be optimized for revenue models over time by payments teams and financial experts.



## Making the payment transition

Nium's own research shows that 65% of businesses are planning to build their own custom payment platforms, either by engaging an IT firm or by building it internally. This is a risky approach, due to several factors:

Rapid evolution in payments can require regular updates and ongoing costs

The need to build new rails for new markets and local networks as well complying with local regulations

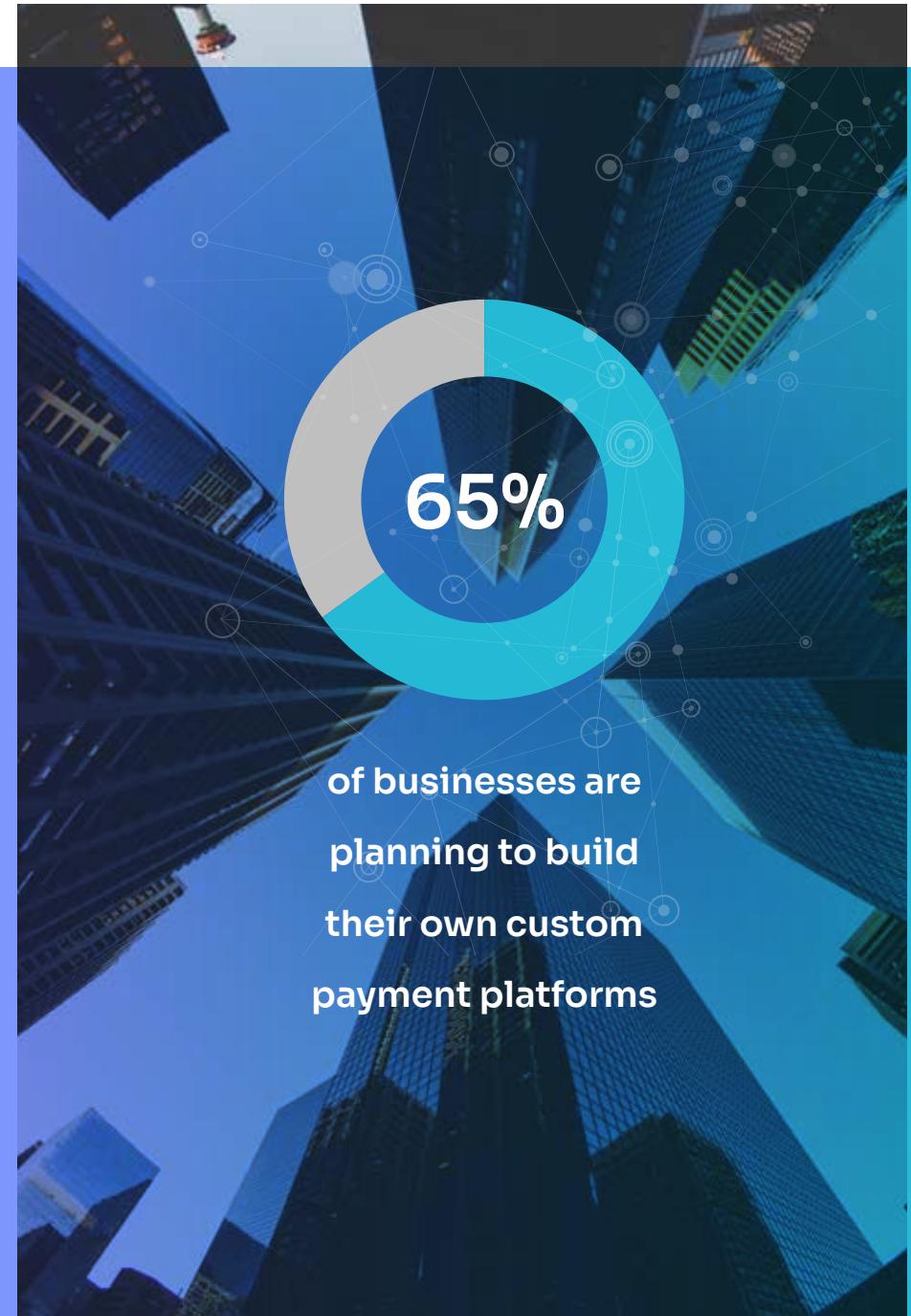
High levels of sector expertise, varying by market and payment type

That's why, in practice, 79% of businesses find building

and maintaining their own payments systems burdensome.

The alternative is collaborating with an expert technology partner. Nium is a leading payments partner for businesses all over the world, working with companies to create a shared vision of global, modern money movement.

Nium has created a global infrastructure to power Modern Money Movement for financial institutions as they serve businesses and individuals around the world.



## The Nium advantage

Nium's platform is built with FIs in mind to help you adapt to the new world of payments:

- ▶ Reduce costs when dealing with large volumes of payments through automation
- ▶ Global coverage including emerging markets such as LATAM, SEA, and India
- ▶ Control over FX conversion and Increased ability to recognise FX revenue
- ▶ Ability to offer customers better user experience using a modern platform
- ▶ Speed, moving from 3-5 days for payment completion to real-time payments in more than 100 markets
- ▶ Security and transparency at every stage of the payment journey, visibility and tracking combined with full reporting capabilities.
- ▶ Competitive advantage with the ability to surpass Fintechs with an offering that is superior to a number of retail players.

## Through the Nium platform, businesses can:



Pay out in more than 100 currencies to over 190 countries



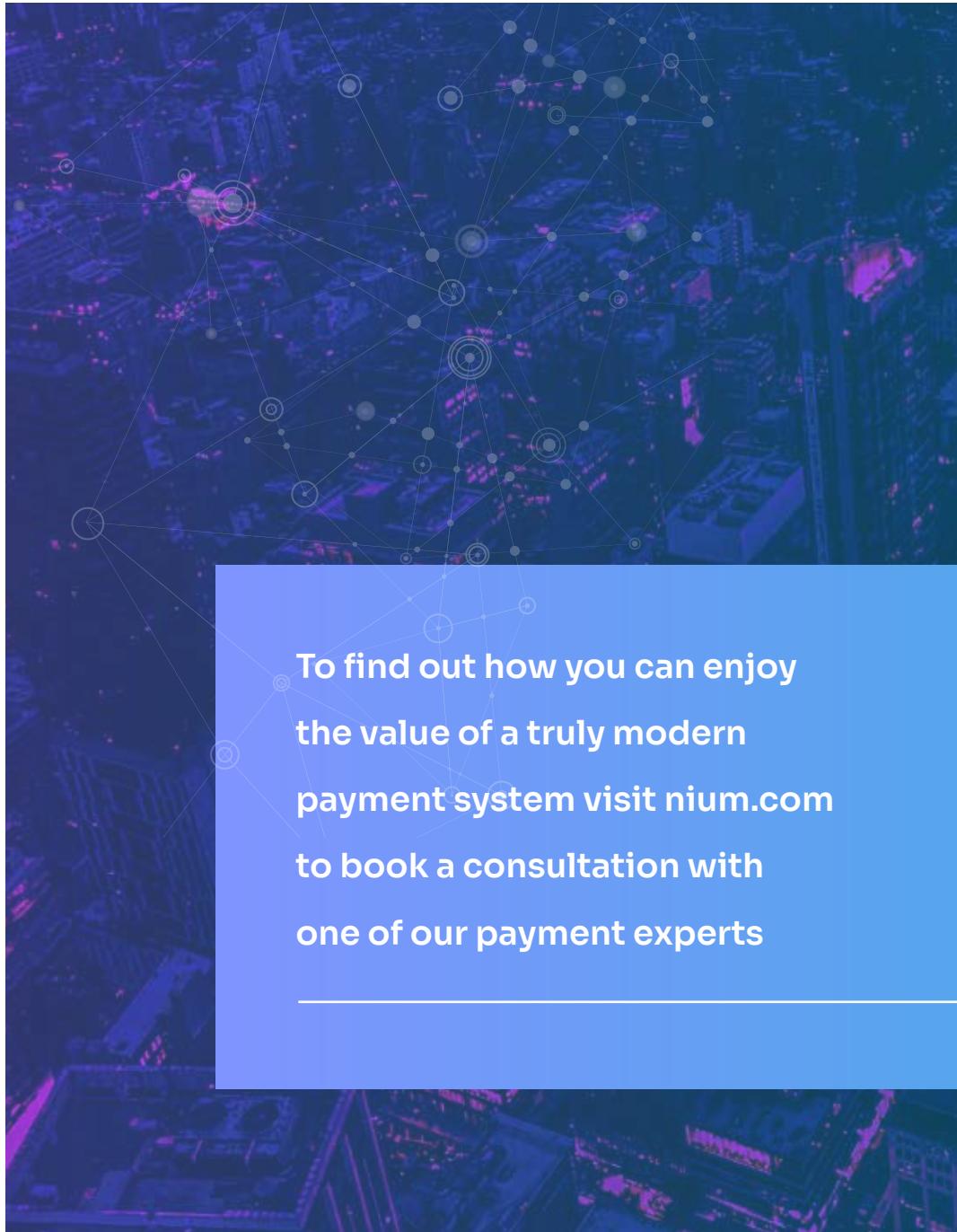
Receive funds in 33 markets, including Southeast Asia, the U.K., Hong Kong, Singapore, Australia, India, and the U.S



Receive funds in 33 markets, including Southeast Asia, the U.K., Hong Kong, Singapore, Australia, India, and the U.S



Access physical and virtual card issuance in 34 countries, including Europe (SEPA), the U.K., Australia, and Singapore.



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to book a consultation with  
one of our payment experts



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