

Payments Addressing for XB Transactions

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Problem Statement

How does a customer of a DFSP in Country 1 reliably address payments to a customer of a DFSP in Country 2?

It is not always feasible for a sender to make cross-border payments. In some cases, the sender is not able to procure the recipient's precise payment information, or its transmission by, for example, voice is error prone. In other cases, the sending PSPs, including banks, are not able to uniquely identify and validate the recipient and its bank or PSP as both the sender's and the recipient's PSPs do not belong to the same payment system.

Further, the most optimal and cost-effective path to reach the recipient through one or more payment systems isn't always clear for the sending PSP. Inadvertently, this adds to the complexity, burden, and cost of international remittances, making them inaccessible for remitters, particularly vulnerable migrants. This leaves a lot to be desired in terms of user experience.



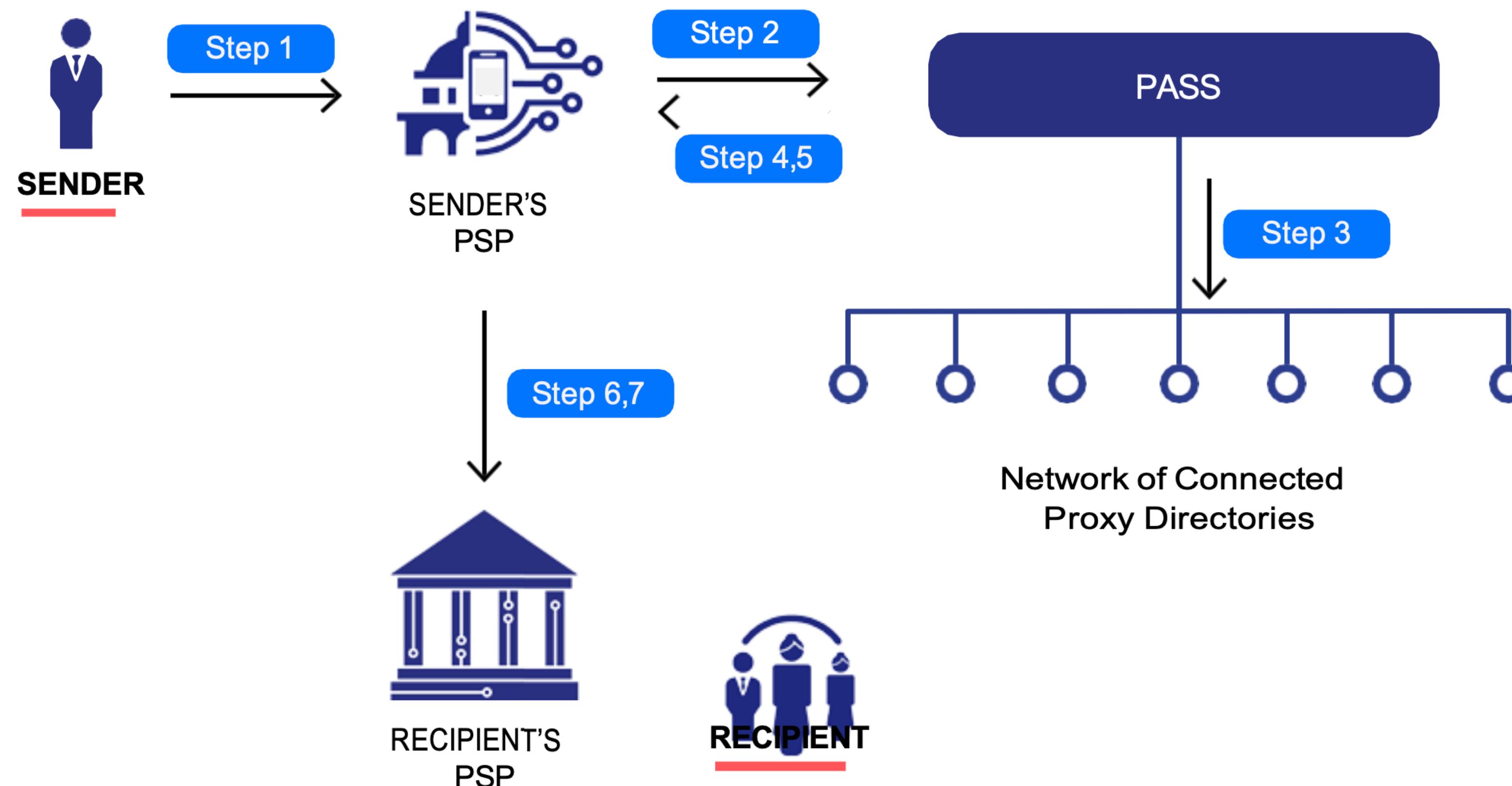
Proposal: PASS

UNCDF has proposed the introduction of a Proxy Addressing System Service (PASS). PASS is defined as a directory of Proxy directories that connects multiple local, regional, and global Proxy directories that store Proxies. This will help link participating payment systems globally in a standardized way, therefore ,with the aim of reducing the friction when making payments from any part of the world to another.

Besides account addressing, PASS will also enable sender PSPs to provision an optimal path by returning one or more payment systems the recipient's PSP is part of, for service fulfilment. This information will be used by sending PSPs to identify the most efficient path

for routing these transactions towards the recipient PSP, based on their existing commercial agreements. The sender PSP will be responsible for initiating payment transactions through the payment system of their choice. PASS is just solely an addressing system and will not be involved in the payment transaction itself.

A PASS Transaction



Steps in a PASS-Powered Transaction



Step 1: Sender provides the sending PSP the details of the recipient to initiate a transaction. For example, the destination country, and Proxy. In addition, the recipient's full name could also be provided for payee validation.

Step 2: Sending PSP uses the information provided by the sender to make a Proxy lookup through PASS.

Step 3: PASS validates the information received in the addressing request through its network of connected directories, prioritizing lookup based on the destination country.

Step 4: If there is no match, PASS returns 'no matches found' message to the sending PSP, which in turn informs the sender about it.

Step 5: If there is a match, PASS returns the outcome of the validation process along with the recipient PSP's LEI and details. For example, PASS could return that the receiving PSP exists, it's legal entity identifier, recipient's Proxy is validated, and the list of payment systems supported by the recipient PSP.

Step 6: The sending PSP uses the information received from PASS, including the payment systems supported, to send payment instructions through the payment system of their choice.

Step 7: The payment from the sending PSP to the recipient PSP is completed, and the sending PSP informs the sender with a successful payment receipt message.

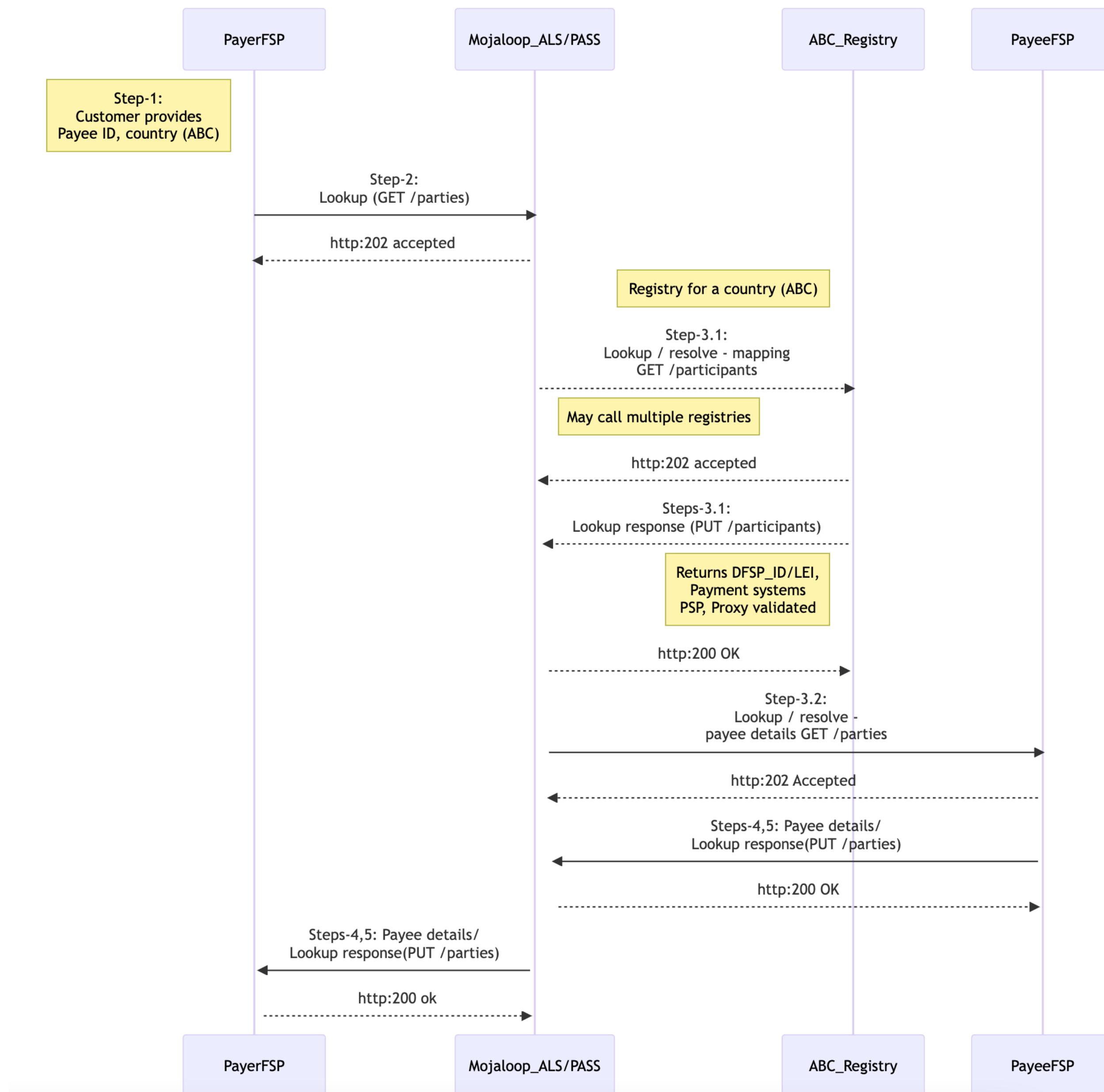


Implications for Mojaloop

UNCDF are proposing a PoC

- We want to be involved; fits squarely into the objectives of Pillar 3:
 - “Ensure Mojaloop is ready for multi-lateral cross-border transactions”
 - Direct follow on from PI 21’s “International Payments Addressing” Workstream
 - Need to evaluate how the PASS approach can be integrated with ALS, and build towards a PoC
 - Consider the Compliance issues of this approach

A PASS Transaction – ALS PoC - draft





Thank You