



# **The IMF Approach to Cross-border Payments Technical Assistance**

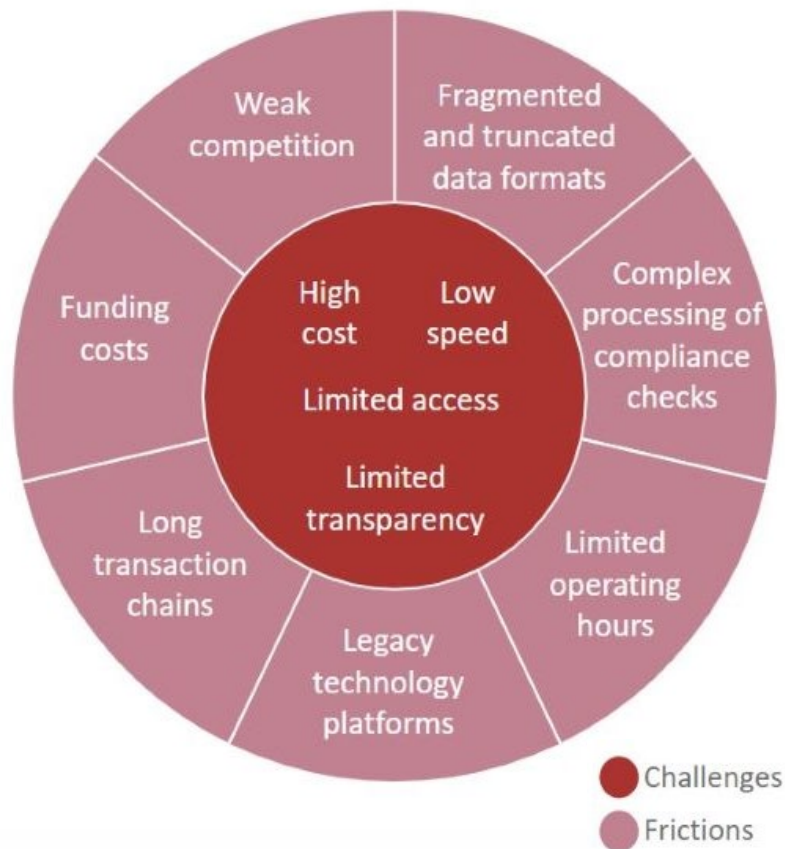
INTERREGIONAL HYBRID WORKSHOP ON CPMI-IOSCO PFMIS, ACCRA

FEBRUARY 2, 2024

Kieran Murphy - IMF

# Challenges & frictions in cross-border payments

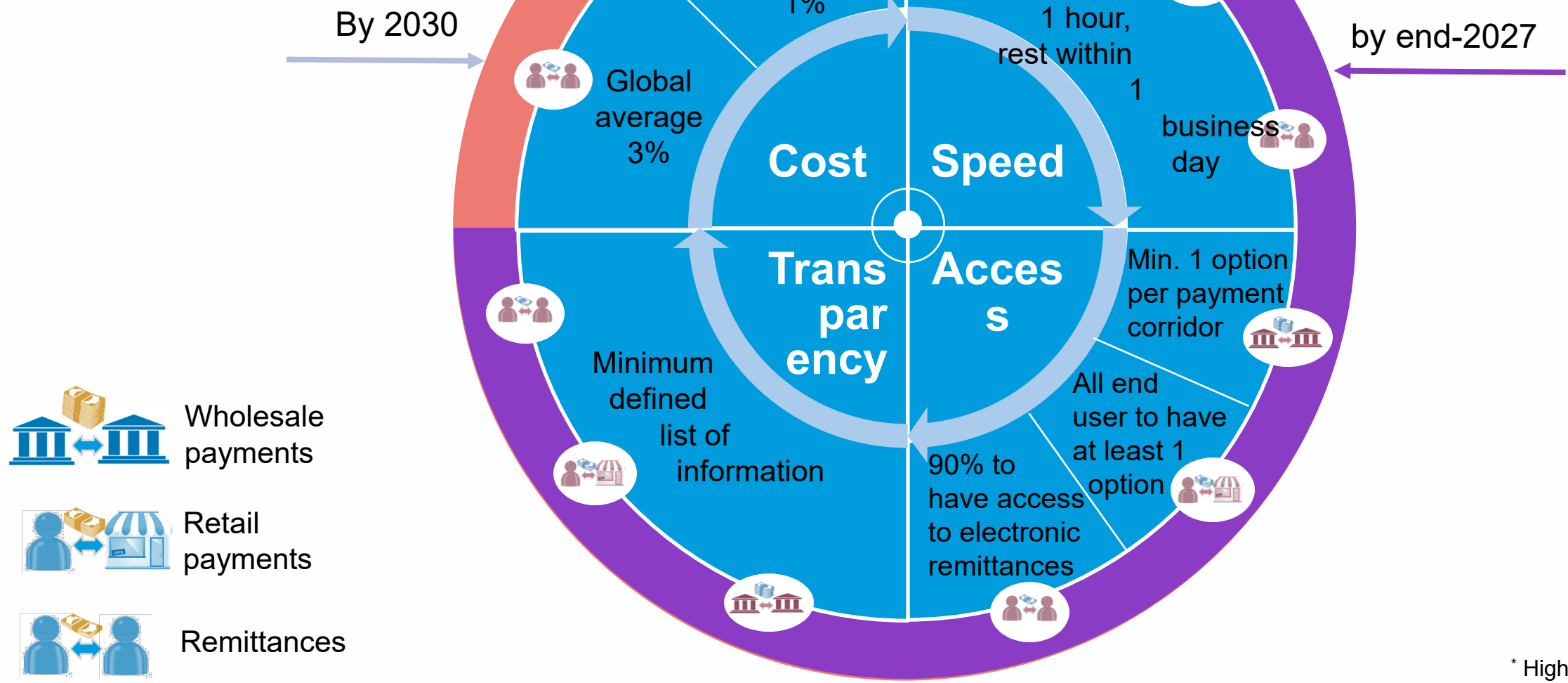
In October 2020, the G20 endorsed a roadmap to enhance cross-border payments, developed by the FSB, to address these 4 challenges



1. **High costs:** transaction fees, account fees, compliance costs, applied FX conversion rates and fees, fees along the payment chain, and liquidity cost for prefunding
2. **Low speed:** end-to-end payment processing time, including the time required for dispute resolutions, reconciliations and searches, possible slow processes for funding and defunding, daily cut-off times and closing times, AML/CFT checks
3. **Limited access:** limitations for users in accessing services, and for PSPs in accessing payment systems and other arrangements
4. **Limited transparency:** limited transparency about costs, speed, processing chain, and payments status

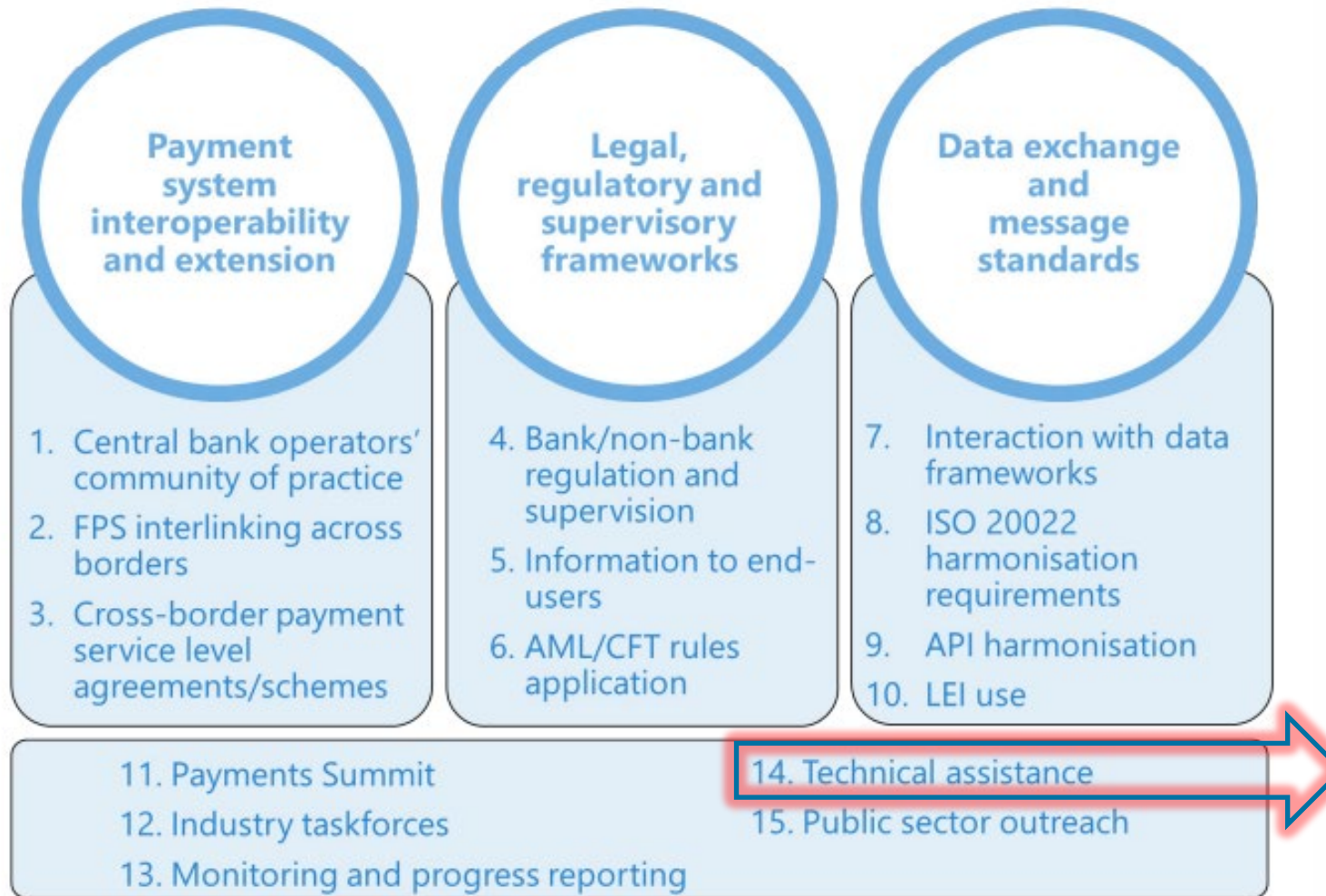
Source: CPMI (Stage 2 Report to the G20 – Technical Background Report, July 2020)

# Targets for addressing cross-border payment challenges\*



\* High level summary

# Setting the context: role of IMF and World Bank TA under the G20 Roadmap



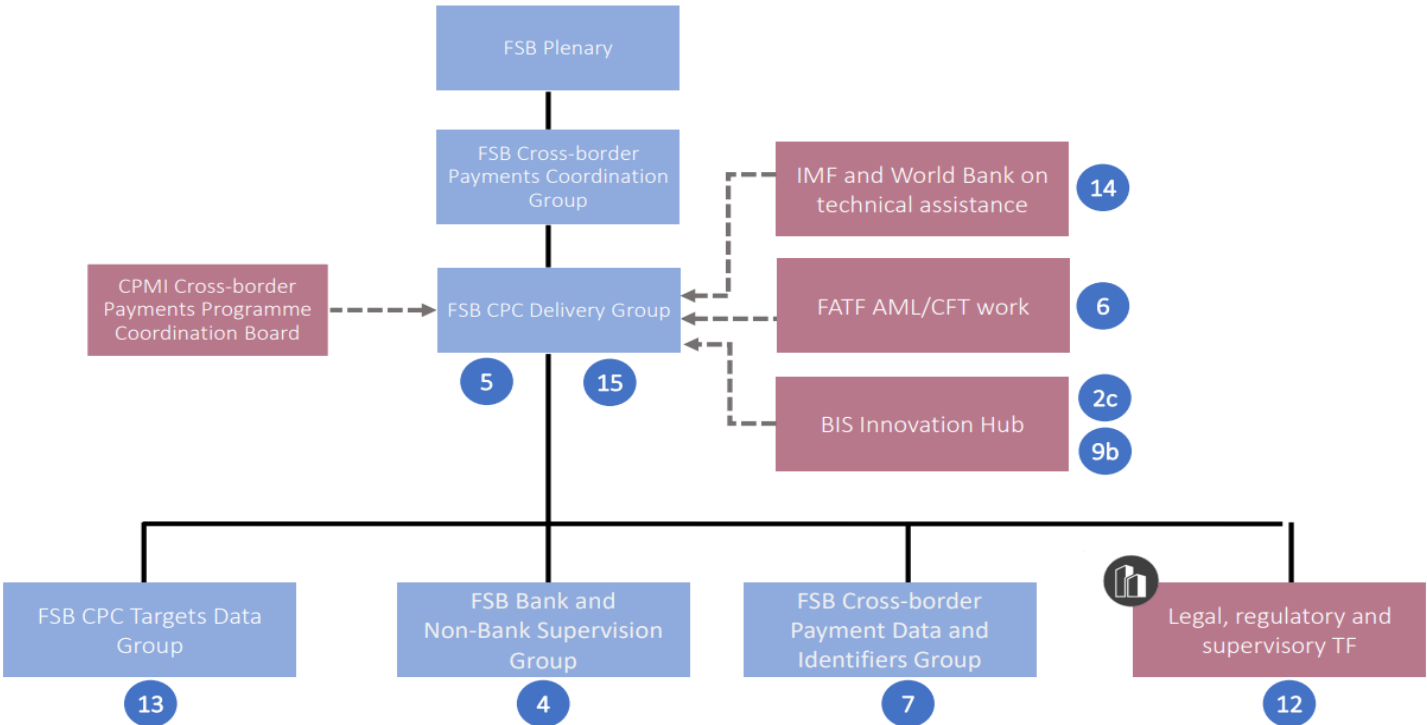
- Nov 2022 -Apr 2023. IMF and World Bank to conduct a stocktake of ongoing/planned TA to identify TA priorities/opportunities to support cross-border payments
- Apr 2023 -Sep 2023. IMF and World Bank, supported by the CPMI and BIS IH, to deliver this TA programme, in a manner consistent with their overall TA provision frameworks and in line with country demand



# G20 Roadmap – a global effort (1)

Public

Current structure of the FSB cross-border payments programme



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Number of the priority action in the [G20 Roadmap](#)

Industry participation

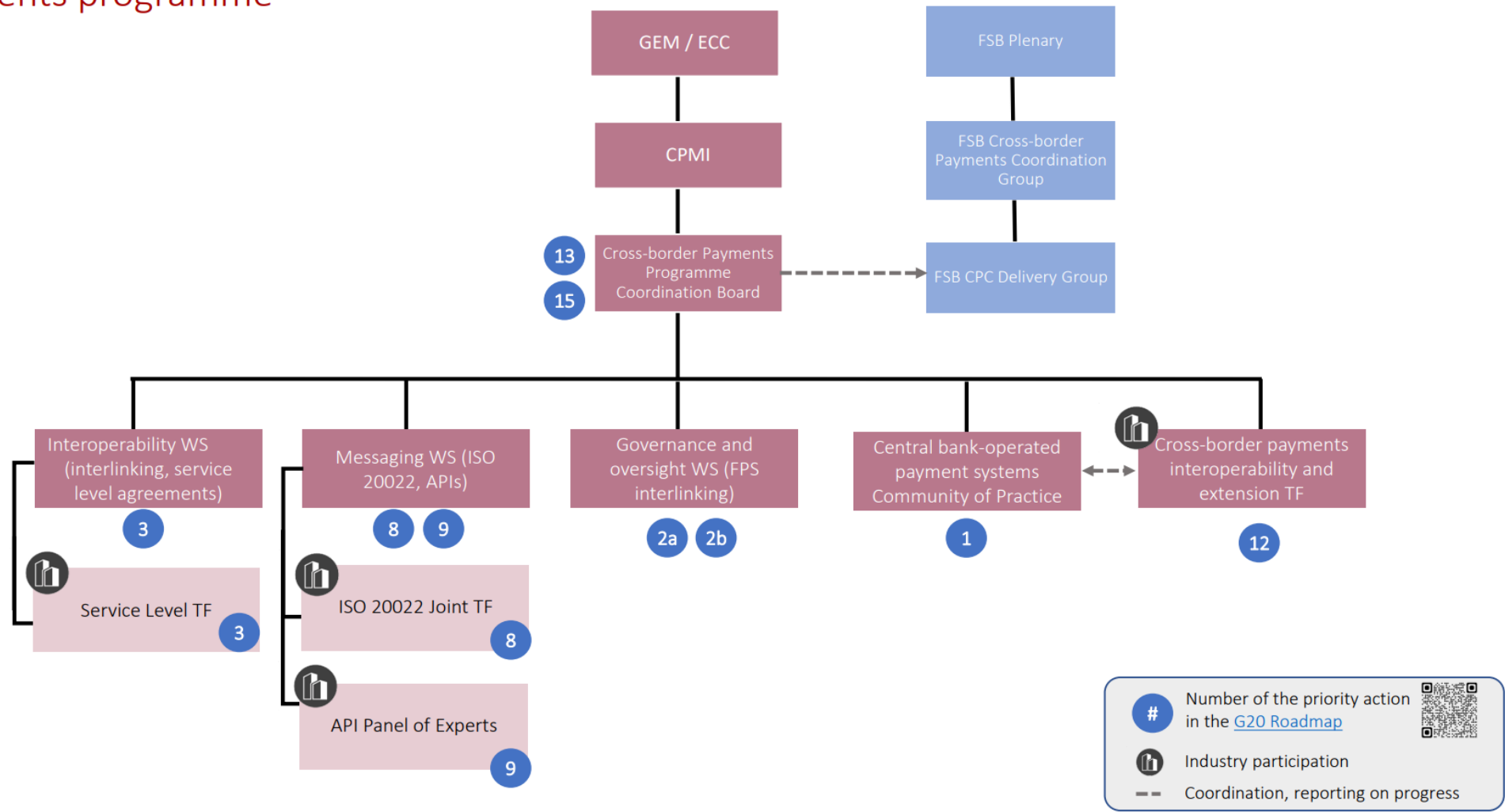
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Coordination, reporting on progress

# G20 Roadmap – a global effort (2)

Public

Current structure of the CPMI cross-border payments programme



# FSB first Annual Report on Meeting the Targets for Cross-border Payments: key findings for SSA

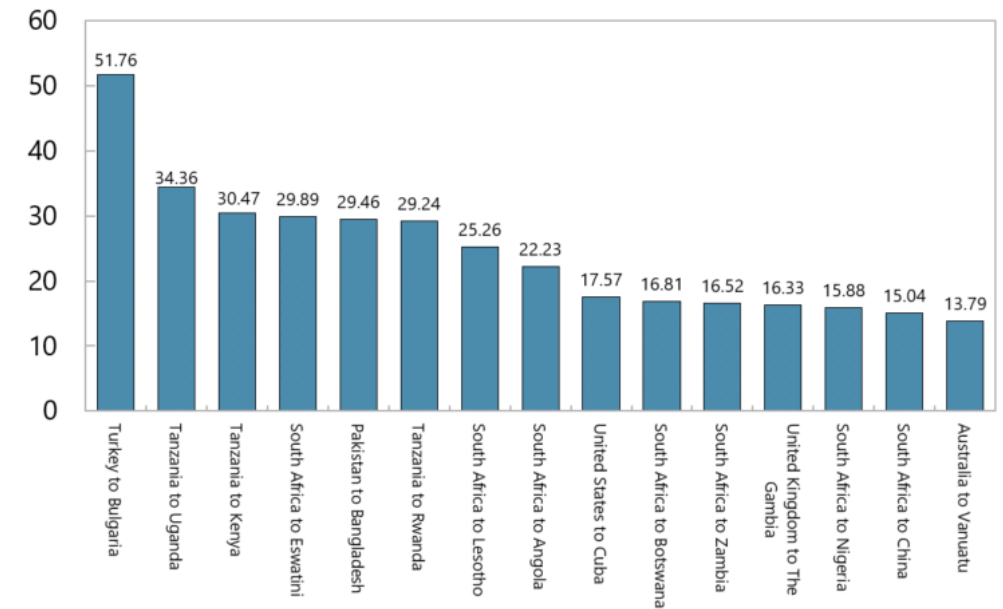
- **On the retail segment\*:**
  - Across all use-cases and receiving regions, Sub-Saharan Africa (SSA) is the most expensive region to send retail payments from, with average total sending costs of 3.9% of the transfer amount
  - Across all use-cases and sending regions, SSA is the most expensive region to send retail payments to, with average total sending costs of 2.5% of the transfer amount,
- **On the remittances segment:**
  - On average, SSA is the most expensive receiving region, with an average cost of 8.4% and 6% for \$200 and \$500 remittances, respectively
  - SSA is the region with the highest (59%) proportion of services making funds available to remittance recipients in one hour

\* Retail payments use-cases include business-to-business (B2B), business-to-person (B2P), person-to-business (P2B), and non-remittance person-to-person (P2P).

# Why TA and how can it help reach the Roadmap targets

1. **The Roadmap targets are global:** covering non-G20 as well as G20, all payment corridors and all wholesale, retail and remittances payments
2. **Considerable heterogeneity among market segments and across countries:** retail segment is particularly broad in terms of end-users, service providers and payment mechanisms
3. **If the target dates of mainly end-2027 is to be met, customized cross-border TA will be critical:** TA needs to be utilized fully, not just at bilateral country level but regionally through workshops, seminars and training
4. **Outliers need urgent help:** TA will be crucial for addressing challenges with cross-border payments in EMDEs and helping the international community to reach the Roadmap targets

**Cost to send \$200, 2023 Q1**  
(In percent)



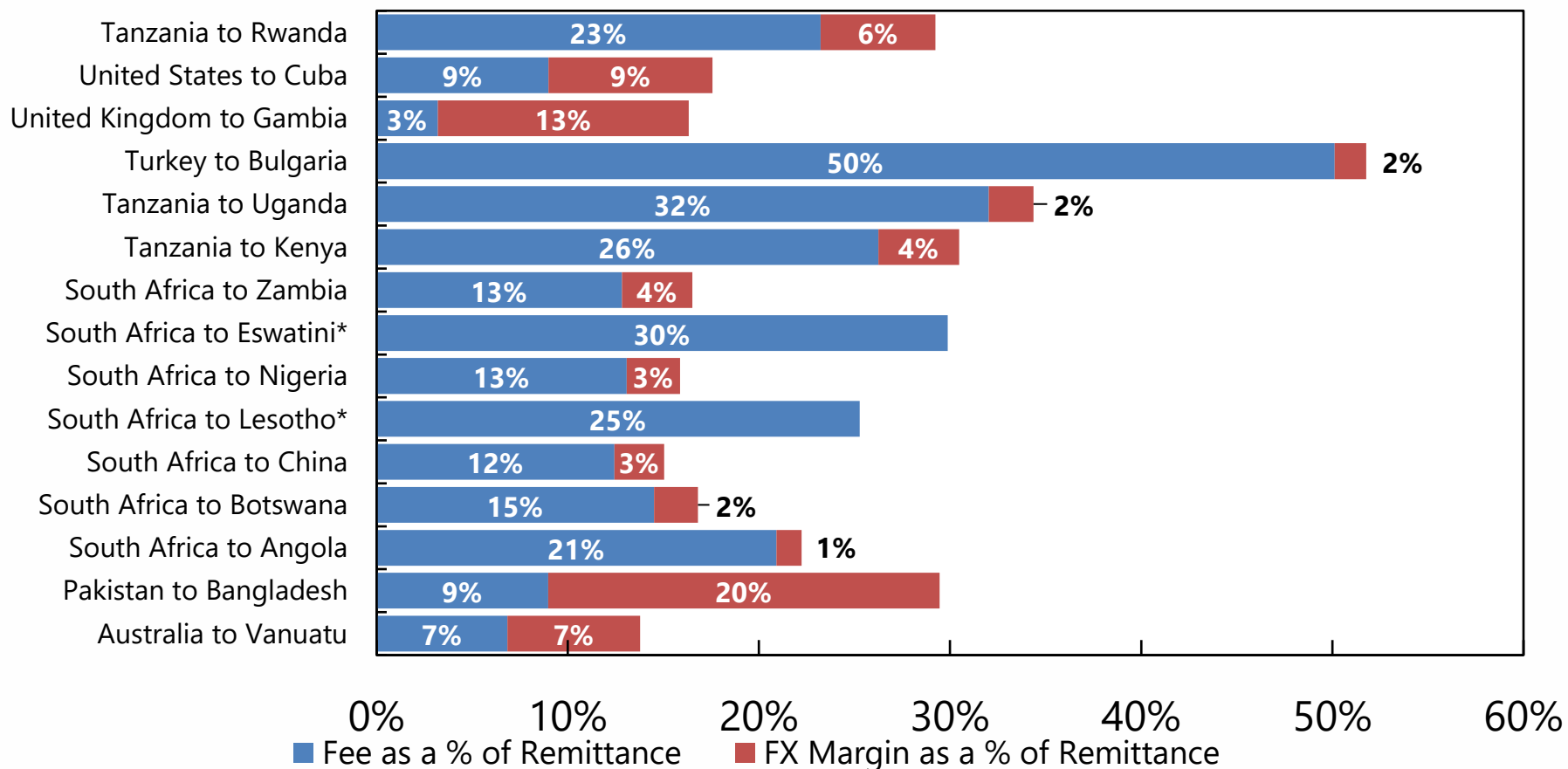
Source: The World Bank, Remittance Prices Worldwide and IMF staff.

**The remittances target:** Global average cost of sending \$200 remittance to be no more than 3% by 2030, with no corridors with costs higher than 5%



# Factors behind high costs: Fees v FX Margins

(Cost to send \$200, 2023 Q1)

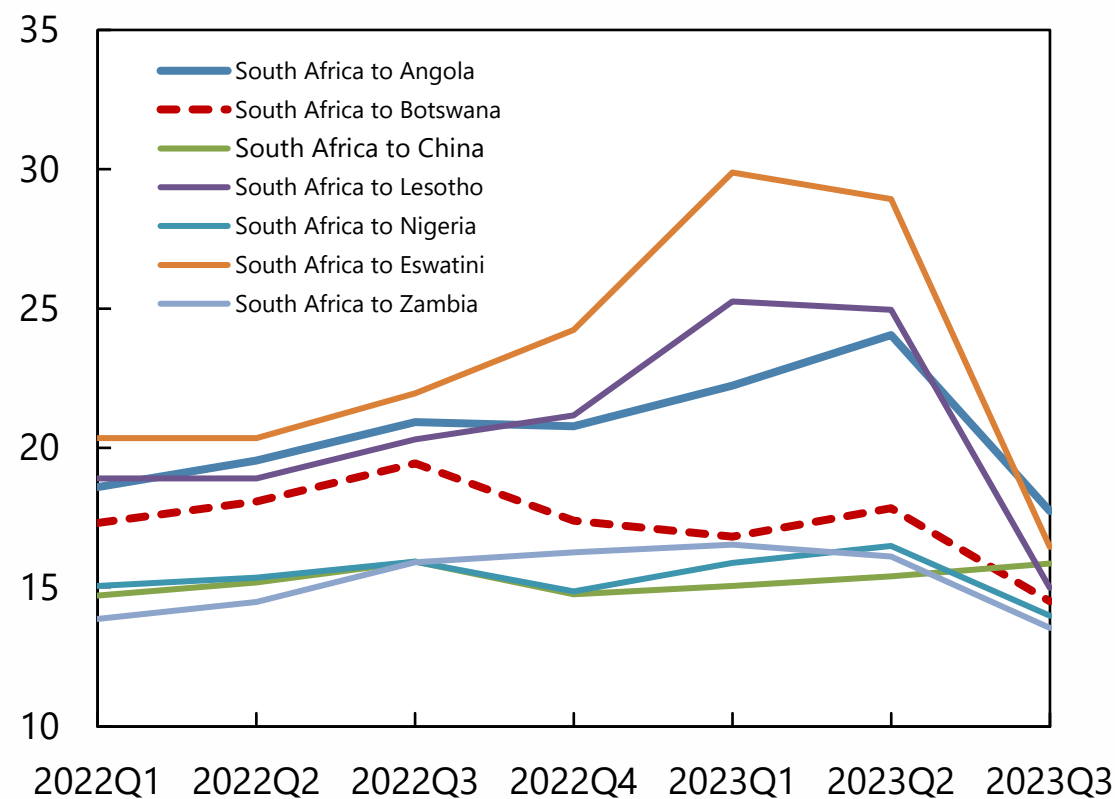


\*No FX conversion as local currency is pegged to South African Rand

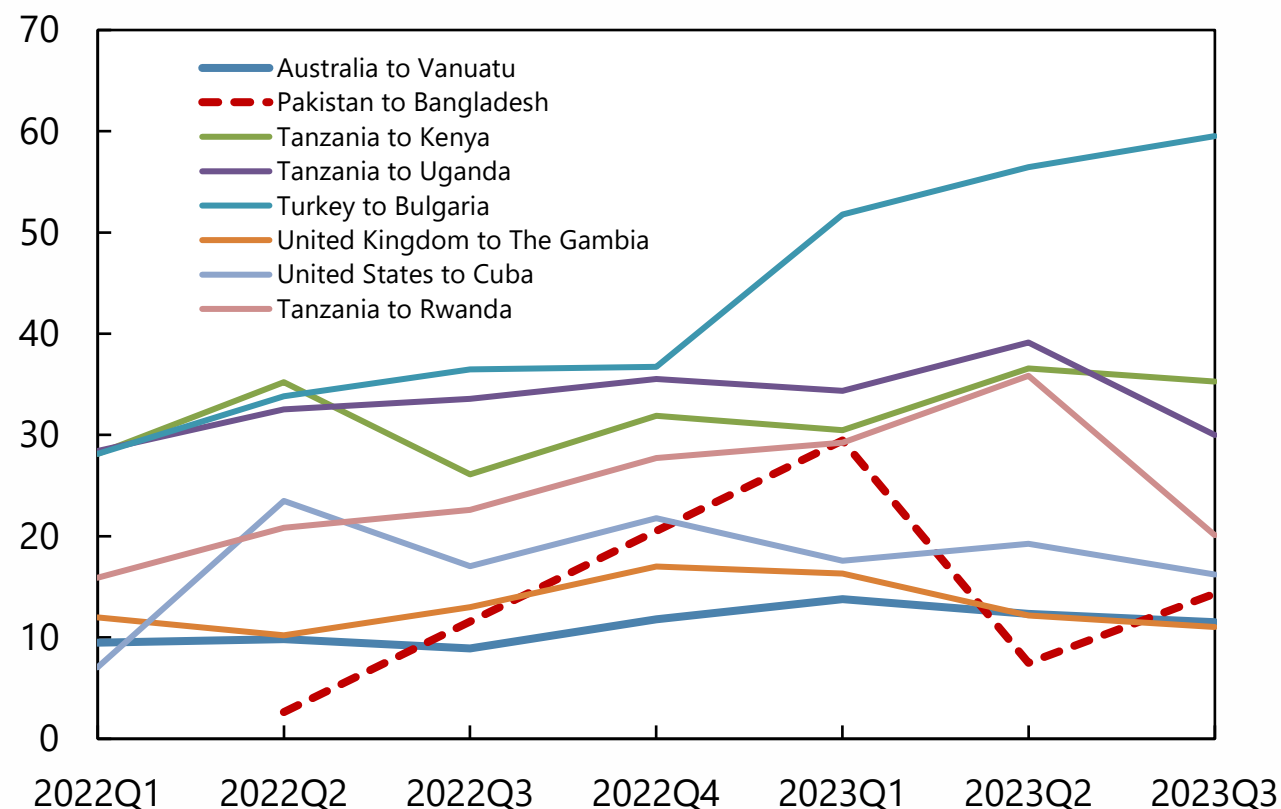
Source: RPW

# Changes in the outlier corridors over time from Q1 2022 to Q3 2023

Remittance Cost from South Africa  
(Cost to send \$200, as a % of remittance)



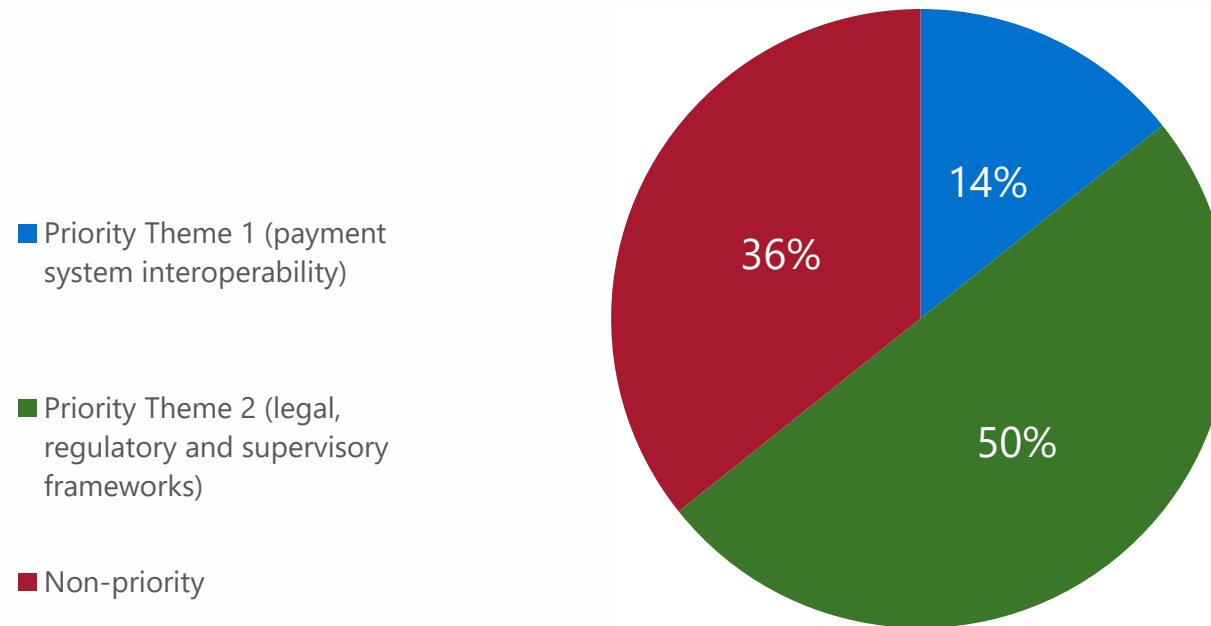
Remittance Cost Outliers: other corridors  
(Cost to send \$200, as % of Remittance)



Sources: The World Bank, Remittance Prices Worldwide and IMF Staff

Source: RPW

## Stocktake outcome: breakdown of IMF TA missions between priority themes/ non-priority themes (from early 2021 to April 2023)



**Source:** IMF staff

# Example of a TA mission: Regional workshop to member countries of CDOT\*

- Co-hosted by the State Bank of Vietnam (SBV) in Hanoi, Vietnam during March 2023.
- **Workshop aim:** to deepen technical understanding of cross-border payments.
- **Three IMF presentations:**
  - Development of cross-border payments landscape and policy implications (including G20 Roadmap), Fast Payment System interlinkages, multi-currency CBDCs etc
  - Potential risks to financial integrity posed by cross-border payments and CBDCs and mitigation measures
  - Technological and cybersecurity issues related to cross-border payments
- **Peer learning:** guest speakers invited to share latest insights on cross-border payment projects
- **Key points raised by speakers:** necessity of collaboration with stakeholders, central bank's role in providing an infrastructure that could support innovation, and multilateral coordination of policies and regulations to ensure the success of cross-border payments projects.

\* **Capacity Development Office in Thailand**

# The IMF TA Approach: 10 Focus areas\*



\* The first 3 columns show the focus areas per IMF lead department, the last column is related Actions under the updated Roadmap (Feb 2023), where applicable.

# Concrete steps in 2024/25 to bring forward TA

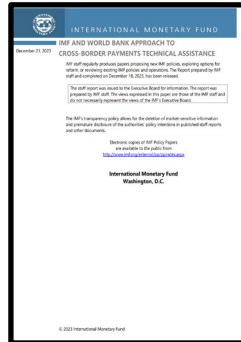
- **First, identify and target TA to specific regions:**
  - Regions currently underserved by TA as identified through the stocktake
  - Regions identified as lagging in FSB KPI monitoring report
  - High-cost corridors according to the World Bank RPW database
- **Second, raise awareness of TA to be offered:** IMF-World Bank Spring/ Annual Meetings, IMF MCM Technical Assistance Annual Report
- **Third, contribute, alongside the World Bank, to international work:** Including on interlinking of payment systems, harmonized ISO 20022 and alignment of market practice guidelines
- **Fourth, develop material to share experiences/ lessons learned from cross-border payments TA:** Training materials, good practices, staff publications, lessons from the field
- **Finally, re-evaluate TA approach and Roadmap priority actions internally in 2025:** re-assessing priority actions not suitable for TA currently, monitoring developments e.g. in cross-border multilateral platform designs, unique identifiers and serve level agreements



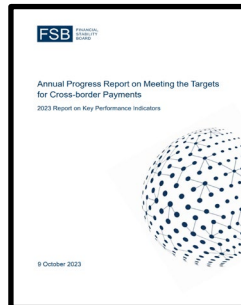
# Conclusions

- **TA is critical if the targets are to be reached by the target date of end 2027 - but must remain underpinned by the IMF/ World Bank mandates and will remain demand driven**
- **Collaboration with the FSB, CPMI and central banks will help** – providing technical expertise, participating in TA missions, presenting at regional/ global events, contributing to analytical work
- **The IMF and World Bank approaches have been designed to fully utilize each institution's mandates, resources and experiences**– coordinating and complementing each other, minimizing duplication, where feasible
- **Like the Roadmap itself, the TA approach needs to be flexible and adaptable over time** – the IMF will re-evaluate the approach in 2025 to ensure relevancy and learn from experience

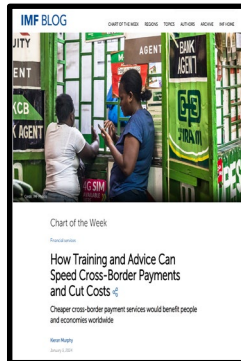
# Further reading



[IMF and World Bank Approach to Cross-Border Payments Technical Assistance](#), December 2023



[FSB Annual Progress Report on Meeting the Targets for Cross-Border Payments](#), October 2023



[How Training and Advice Can Speed Cross-Border Payments and Cut Costs](#), IMF blog, January 2024

**Thank you!**