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Building the cross-border payments ecosystem for the 21st century

The payments landscape has changed dramatically in recent years. Domestic payment systems have improved, and the use of cash has declined in many jurisdictions, but cross-border payments are still largely perceived to be slow, expensive, opaque and for certain user segments unavailable.

As a result, in late 2020, the G20 endorsed a roadmap to enhance cross-border payments. It lays out a comprehensive set of actions by public authorities and private actors in a broad range of areas to remove the frictions that have held back the development of better cross border payments.

The Committee on Payments and Market Infrastructures (CPMI), chaired by Sir Jon Cunliffe (Deputy Governor, Bank of England), led the development of the 19 building blocks, arranged into five focus areas, which form the basis of the roadmap. Four of these focus areas seek to enhance the existing payments ecosystem, while the fifth is more exploratory in nature and covers emerging payment infrastructures and arrangements.

The focus areas are as follows:

A. Commit to a joint public and private sector vision to enhance cross-border payments: Focus on driving meaningful, coordinated change at the global level over a sustained period of time among stakeholders from the public and private sector.

B. Coordinate on regulatory, supervisory and oversight frameworks: Focus on advancing consistent international rules and standards without compromising individual jurisdictional discretion or lowering standards.

C. Improve existing payment infrastructures and arrangements to support the requirements of the cross-border payments market: Focus on technical and operational improvements to existing domestic and international payment infrastructures that cross-border payments depend upon.

D. Increase data quality and straight through processing by enhancing data and market practices: Focus on promoting the adoption of common message formats, including conversion and mapping from legacy formats to ISO 20022 and common protocols for data exchange. This could mitigate the friction around fragmented and truncated data.

E. Explore the potential role of new payment infrastructures and

arrangements: Explore the potential that new multilateral cross-border payment platforms, central bank digital currencies (CBDCs) and so called global “stablecoins” could offer for enhancing cross-border payments.

Each of the building blocks individually has the ability to bring notable benefits to cross-border payments. However, due to their interdependencies, the most significant enhancements are likely to arise if over time they are advanced and implemented in a coordinated manner.

Achieving change in all of these areas is a challenging objective. While all of these building blocks feature concrete actions and key milestones, the problem needs to be tackled comprehensively. Absent a coordinated and sustained initiative, supported by both the public and the private sector, we will not see the improvements we seek.

Only a cross-border payments ecosystem that can keep pace with the way we live and transact is fit for the 21st century. The CPMI is taking a leading role in shaping the future of cross-border payments.