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Cross-border payments: more access, less compliance costs

The G20 Roadmap on cross-border payments can greatly benefit the public and the world economy. Cross-border payments are the cornerstone of the international mobility of goods, services, capital and people. Yet, for too many individuals and businesses they are still costly, slow and less secure, if they are even available. This has been well documented by the FSB, in coordination with the CPMI. The Roadmap is a high-level and flexible plan to enhance the global payments ecosystem.

Key to the Roadmap's success is the involvement of market forces, enabling a long-term, joint private and public sector commitment. Moreover, to the extent possible, we need to leverage existing infrastructures and arrangements so as to reduce the sunk costs of innovation. Enhancing private-public cooperation and existing systems are two of the focus areas of the Roadmap.

Turning to possible actions, the responsibility to meet end users' needs and requirements lies primarily in the hands of payment system providers (PSPs) rather than those of public authorities. Services could be developed to enable individuals and businesses to make payments through smartphones and PCs, for example, or better track them along the transaction chain, combine them with other services and settle disputes easily.

The PSPs' ability to improve services also depends on the availability of 'back' end processes. Criteria to extend such processes to non-bank PSPs are being considered in several jurisdictions in order to promote innovation and competition, reduce the risk of single points of failure and ultimately strengthen financial stability. Payments across borders can also be boosted by adopting new structural approaches, such as establishing links between domestic systems or setting up multilateral systems with cross-currency settlement, which would be especially useful for countries that have strong economic ties with one another. In Europe, the instant payment system TIPS is experimenting in these areas.

Industry-led initiatives targeting operational frameworks (e.g., message format) may help to streamline transaction chains.

Changes in the payments industry are giving rise to new risks that must be managed in order to safeguard financial stability and the public's trust in money. The greater dependence

on technical service providers and the high concentration of the supply of such services are matters of concern. Companies have to recognize third-party risk and the different responsibilities of the outsourcer and the outsourcee. Competitive distortions due to the presence of a few large players have to be countered and data privacy and cyber security must be ensured.

These policy efforts do not equate to an increase in regulation. There is room for lowering compliance costs by tackling disparities resulting from inconsistent regimes or from duplicative compliance checks. This is also one of the focus areas of the Roadmap. More importantly, an open and inclusive payment ecosystem, with a level playing field, strengthens market discipline and is conducive to growth, thereby reducing the need for public intervention. Nonetheless, central banks and other authorities will continue to monitor old and emerging risks, to improve oversight criteria and tools and to be ready to act.