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### The G20 cross-border roadmap – The foundations of a future-proof global payments ecosystem

The G20 cross-border payments roadmap encompasses a variety of actions through 19 building blocks in an attempt to address the various challenges related to cross-border payments. The diversity of measures under consideration is also a result of the different types of end users of cross-border payments, who face different challenges and have broadly different experiences and expectations. The 19 diverse building blocks lay a strong foundation for progress in the global payments ecosystem.

Despite the heterogeneity of the building blocks, one overarching objective is a desire to reduce the high costs associated with cross-border payments. This challenge is multi-faceted, although one clear outstanding issue is the cost of compliance and associated risks. Providers of cross border payment services need to comply with several sets of rules and regulations while, at the same time, mitigating legal risk resulting from a lack of awareness or a misunderstanding of the way laws and regulations are applied. Compliance costs are, eventually, charged to end users while de-risking (i.e. the withdrawal of providers from the cross-border payments market) means less competition, which in turn translates into more market power for the remaining providers, increasing further fees charged to end users. The G20's work acknowledges the importance of improving the efficiency of compliance and reducing its associated risks, which is why five out of the 19 building blocks are in this area. This is where making improvements will be important for both existing and new arrangements and providers.

The G20's work also recognises the importance of competition. It supports the use of a variety of approaches to address the technical issues involved in processing cross-border payments, such as improving traditional payment rails and correspondent banking. In addition, if new players enter the cross-border payments market under the same set of rules which create a level playing field, this has the potential to enhance cooperation and change the competitive dynamics of the market. New approaches will benefit from more efficient compliance frameworks while from a competition perspective both old and new solutions should obviously be subject to the same rules.

Beyond their roles as regulator or overseer, central banks also have a critical role to play as providers of liquidity and operators of payment systems. With regard to the latter,

it should be mentioned that the ECB, in collaboration with Sveriges Riksbank and the Banca d'Italia, has started to analyse how TARGET Instant Payment Settlement (TIPS, the Eurosystem pan-European service that settles payments in central bank money around the clock in real time) could support efficient payment transactions across different currencies. Ideally, payments would have an efficient and competitive FX conversion layer and minimise costs for participants and ultimately end users. The usage of TIPS by both Sveriges Riksbank and the Eurosystem provides a great opportunity to explore this. It will also foster our understanding of all the practical challenges we face when aiming to implement concrete innovative solutions.

International cooperation will also be key to shaping the future ecosystem for central bank digital currencies, which may offer consumers and firms a further option for making cross-border payments, thus strengthening further competition and efficiency.