Committee on Payments
and Market Infrastructures

BIS

Cross-border payments interoperability and extension (PIE) taskforce

FSB KPIs for monitoring progress update
CPMI Governance and oversight update

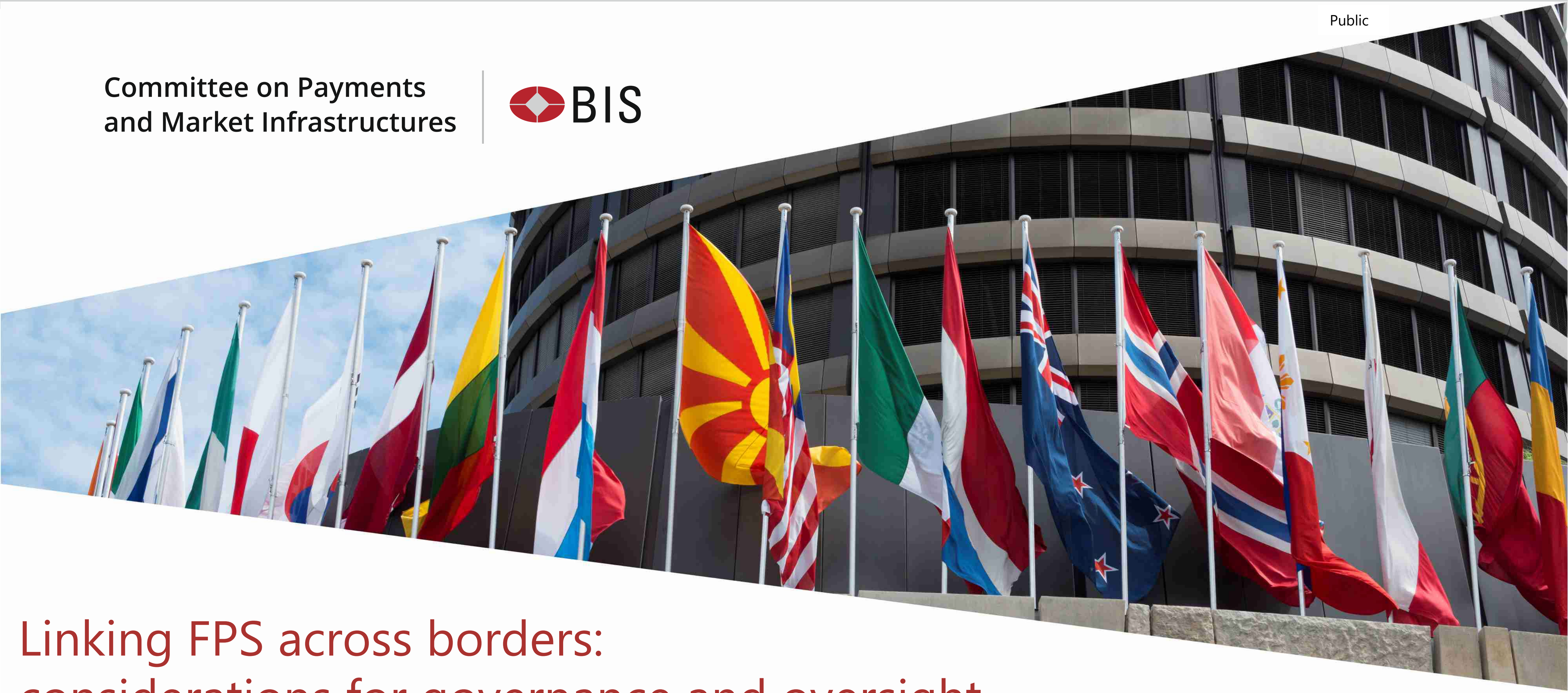
Public

29 November 2023

PIE taskforce meeting

Meeting held under Chatham House Rule

Committee on Payments
and Market Infrastructures



Linking FPS across borders: considerations for governance and oversight

PIE Taskforce Meeting,
29 Nov 2023

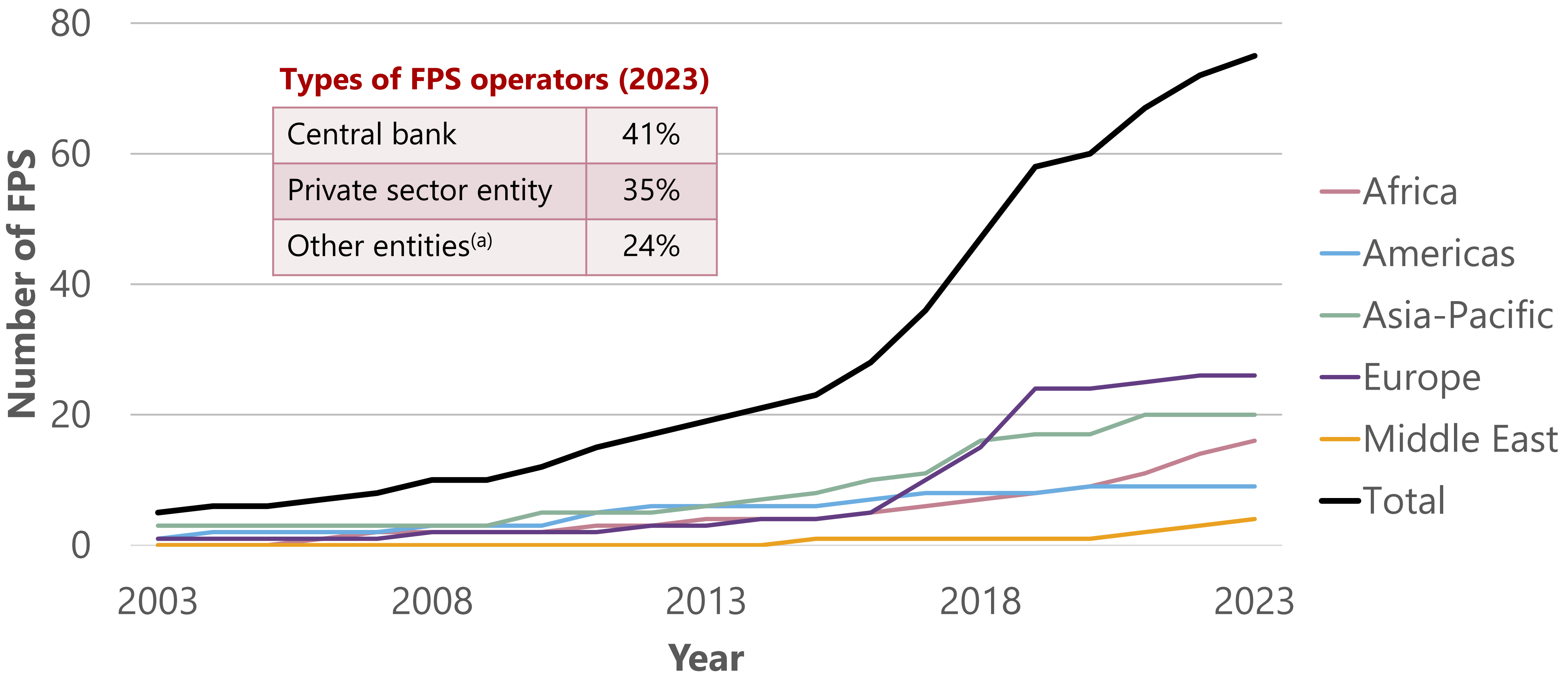
Background and overarching goal

- **The G20 has identified interlinking of FPS as one of the priority actions** to help achieve its cost, speed and transparency targets for cross-border payments by 2027

- Designing proper and efficient **governance and oversight frameworks can be especially challenging** for interlinking arrangements as they work in a multi-jurisdictional context

- A dedicated CPMI workstream has been created **to deliver a framework for the governance and oversight of FPS interlinking arrangements**

Fast payment systems are expanding across the globe…



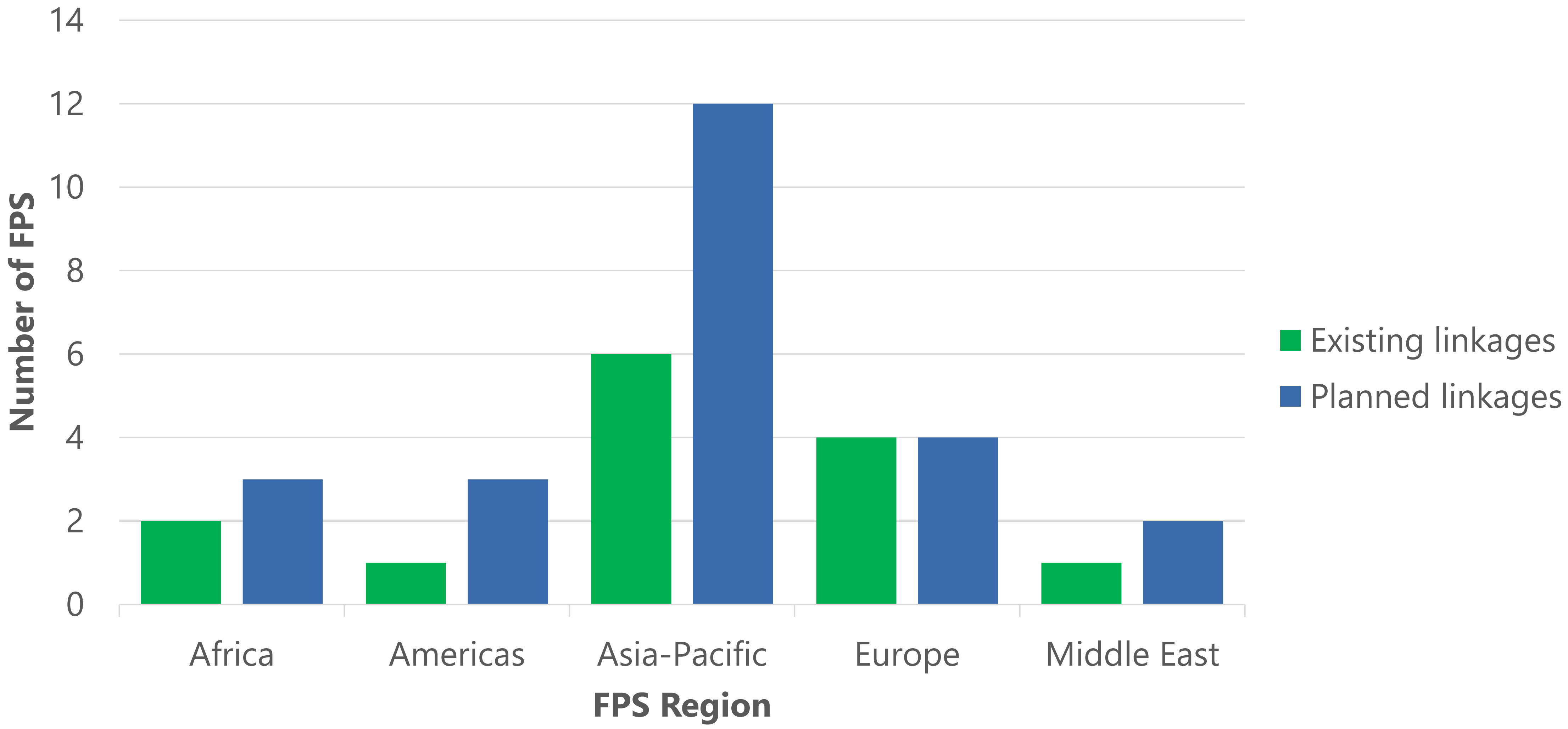
Types of FPS operators (2023)

Central bank	41%
Private sector entity	35%
Other entities[(a)]	24%

(a) Other entities include those with a combination of the central bank and other banks/private sector entities as shareholders.

Sources: CPMI (2023), AfricaNenda (2022)

…and with it, the number of FPS cross-border linkages



Source: 2023 CPMI survey on cross-border payments progress (as at July 2023).

Governance definition

"Governance is the set of relationships between an FMI's owners, board of directors (or equivalent), management, and other relevant parties, including participants, authorities, and other stakeholders (such as participants' customers, other interdependent FMIs, and the broader market). Governance provides the processes through which an organisation sets its objectives, determines the means for achieving those objectives, and monitors performance against those objectives." (PFMI 3.2.1)

- Our focus has been on governance of the interlinking arrangement and not of the domestic FPS

Oversight definition

"A central bank function whereby the objectives of safety and efficiency are promoted by monitoring existing and planned [FMI] arrangements, assessing them against these objectives, and where necessary, inducing change." (CPSS 2005)

- By central banks for payment systems and interlinking arrangements
- Oversight arrangements may be both within and across jurisdictions (eg through cross-border cooperation)

Interim report to the G20

- Based on a extensive industry outreach and collection of international experiences across members, the workstream identified **10 considerations** for the effective design of FPS interlinking governance and oversight frameworks

- The **goal** is two-fold:
  - to provide insights for any practitioners and authorities grappling with the practical challenges of designing and agreeing on FPS interlinking governance and oversight frameworks
  - to provide a basis for further dialogue and engagement by the the CPMI

CPMI focus: governance and oversight of FPS interlinking

10 initial considerations to understand the complexities and experiences

Pre-conditions

What conditions create a favourable environment for effective governance?

Governance design

How is governance designed for scalability, commercial viability and inclusion?

Oversight design

How is oversight designed proportionate to the risks and conducted in a multi-jurisdictional context?

10 considerations on governance and oversight of FPS interlinking

1. **Compatible strategic and economic policy priorities** create conditions for agreement on potentially sensitive issues.

2. **Common objectives and long-term vision** inform numerous design choices.

3. **Design interdependencies** exist between ownership structure, legal setup, and governance framework.

4. **Flexibility and scalability** foster expansion and evolution of the role of central bank involvement.

5. **Business viability** benefits from the adoption of and experience from the inter-linked domestic FPS.

6. **Stakeholder involvement** is critical during the design and implementation phase, as well as daily operations.

7. **Proportionate oversight** can be an efficient and effective way to mitigate and manage risks.

8. **Oversight expectations** add clarity and consistency.

9. **Oversight cooperation** is necessary for authorities involved and can vary considerably.

10. **Interaction between governance and oversight** improves alignment with other expectations.

Public consultation

15 questions:

- 5 *general questions* directed to all stakeholders
- 6 *questions on governance* considerations directed to all stakeholders
- 4 *questions on oversight* considerations directed to central banks

Stakeholder consultation has been extended to the **31 December 2023**

Report available [here]

Next steps towards the 2024 (Final) Report to the G20

The CPMI committed to the G20 to develop a final report on governance and oversight of FPS interlinking arrangements:

- **Ongoing discussion on the scope, content and structure** of the final report to the G20
- **Webinar on 11 December (13:00-14:15 CET)** to discuss the opportunities and challenges when it comes to governance and oversight of FPS interlinking arrangements, what are the obstacles in their implementation, their experiences in the field and their suggestions for setting up effective and efficient frameworks
- **Further engagement with stakeholders**

Public

G20 Cross-border payments roadmap: KPIs for monitoring progress toward the G20 targets

Financial Stability Board

FSB Secretariat

CPMI PIE taskforce meeting

Wednesday, 29 November 2023

Targets to ensure commitment and accountability

- **Quantitative targets directly related to the four challenges**
- **Targets** are **simple**, **high-level**, **small in number** and focused on the experience of **end-users:** – for cost, speed, access and transparency
- **Targets are set at the global level**, not at regional or national level
- **Targets set for three market segments:**

Wholesale

Retail

Remittances

- **Yearly reports from 2023 onwards** on progress against the key performance indicators (KPIs) agreed for targets

Tracking progress using KPIs

- In October, the FSB published its first estimates of key performance indicators (KPIs) to monitor progress toward the G20 Targets
    - Inform the direction and focus of the Roadmap programme
    - Not intended as a supervisory tool to measure individual firm's performance

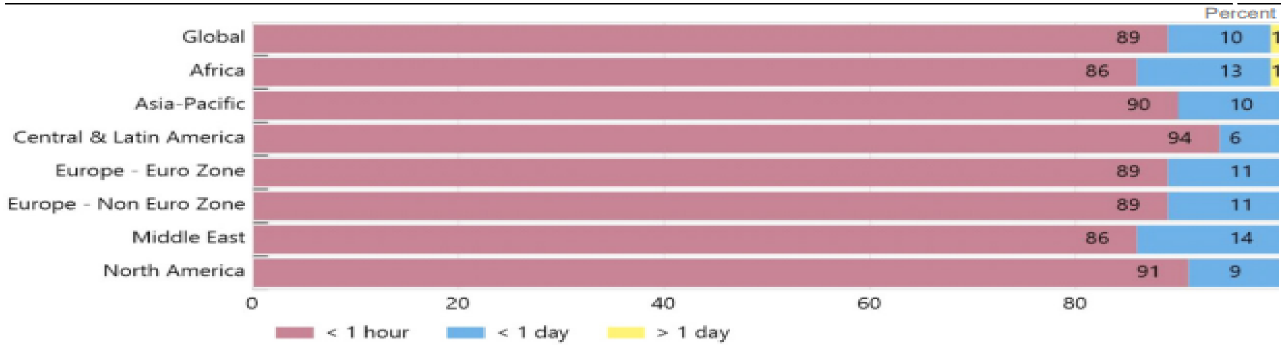
- KPIs are at the global level, but the data allowed for regional analysis
    - Retail and remittances data used for the report available online
    - Methodology document also published

- A key theme in the KPI report is that across all market segments user experiences differ substantially across regions

Wholesale – Beneficiary leg has a big influence on speed

In-flight processing time from originating bank to beneficiary bank over the Swift network

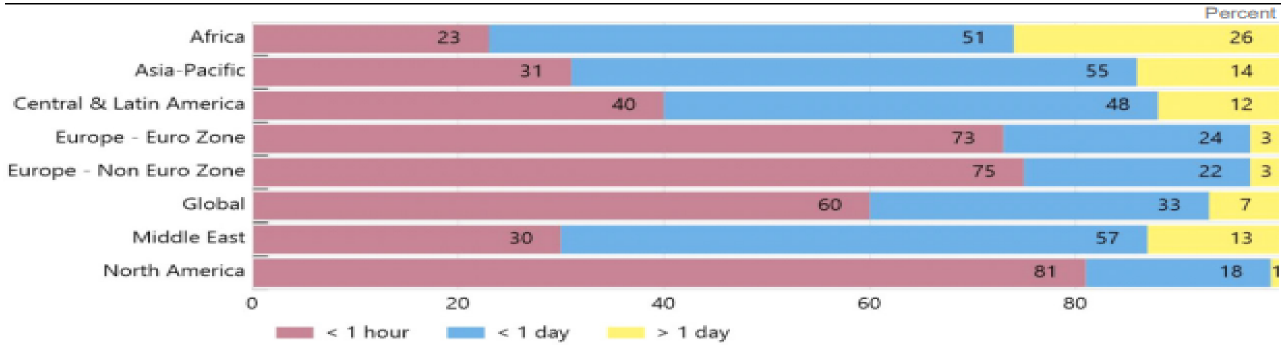
By receiving region



Source: Swift

Speed of beneficiary banks depositing funds into clients' accounts (beneficiary leg)

By receiving region



Source: Swift

- Globally, 89% of wholesale payments are processed between originating and beneficiary banks in one hour, and 99% in one day
- There is relatively little variation across regions
- However, only 60% of payments globally are credited to end-beneficiary accounts within one hour.
- Across regions, this ranges from 23% to 81% of payments

Speed of retail cross-border payments – further to go

Target: 75% of cross-border retail payments to provide availability of funds for the recipient within one hour from the time the payment is initiated and for the remainder of the market to be within one business day of payment initiation, by end-2027

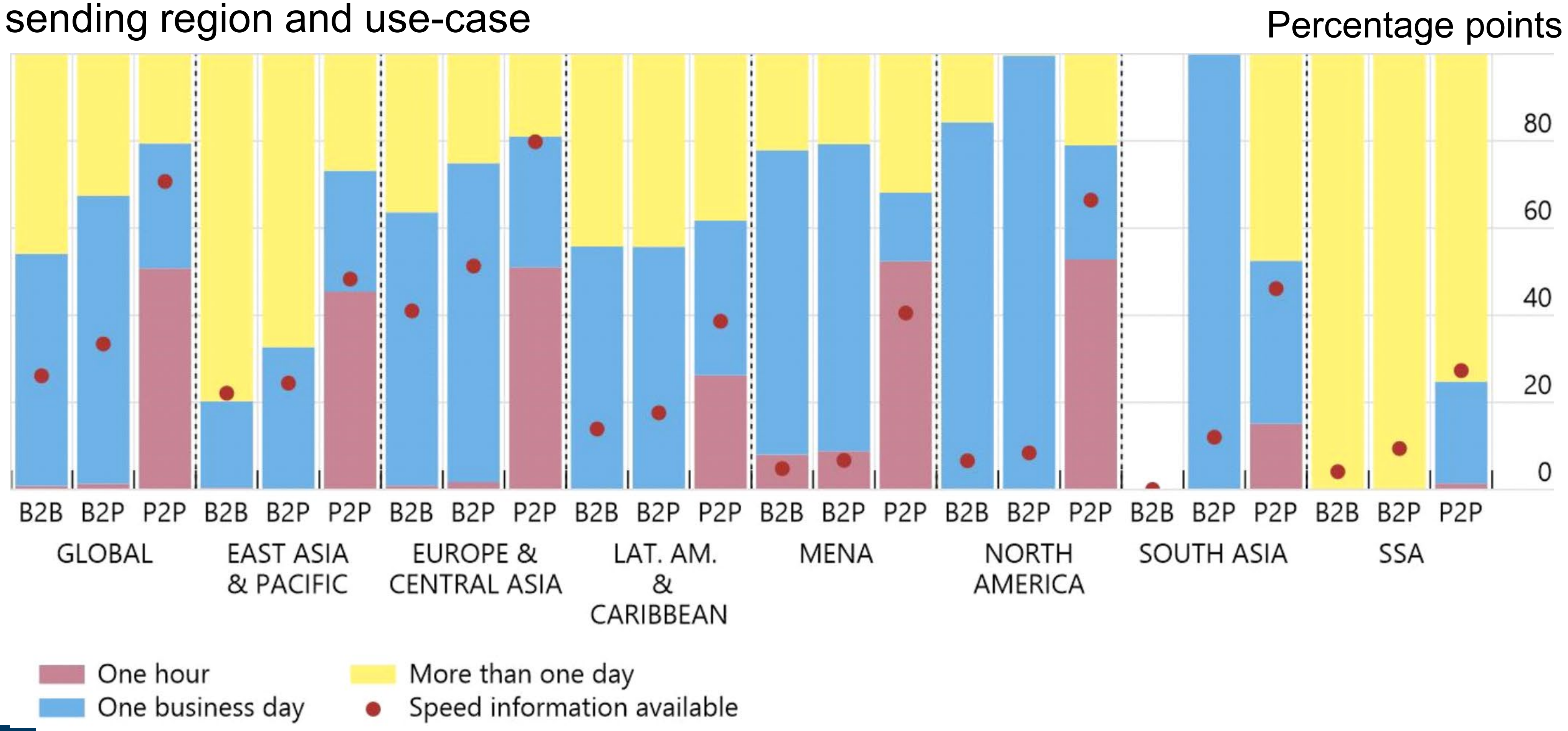
KPI	2023
KPI 1: Percentage of cross-border retail payments services that credit recipients within one hour of initiation	41.8%
KPI 2: Percentage of cross-border retail payments services that credit recipients within one business day of initiation	76.3%

Source: FXC Intelligence. Data as of March 2023.

Note: Percentages computed including only services for which speed information is provided to end-users (56.7% of services in dataset) and excludes P2B payments.

Regional differences in speed of retail payments

By sending region and use-case



Cost of retail cross-border payments: still double the target

Target: Global average cost of payment to be no more than 1%, with no corridors with costs higher than 3% by end-2027

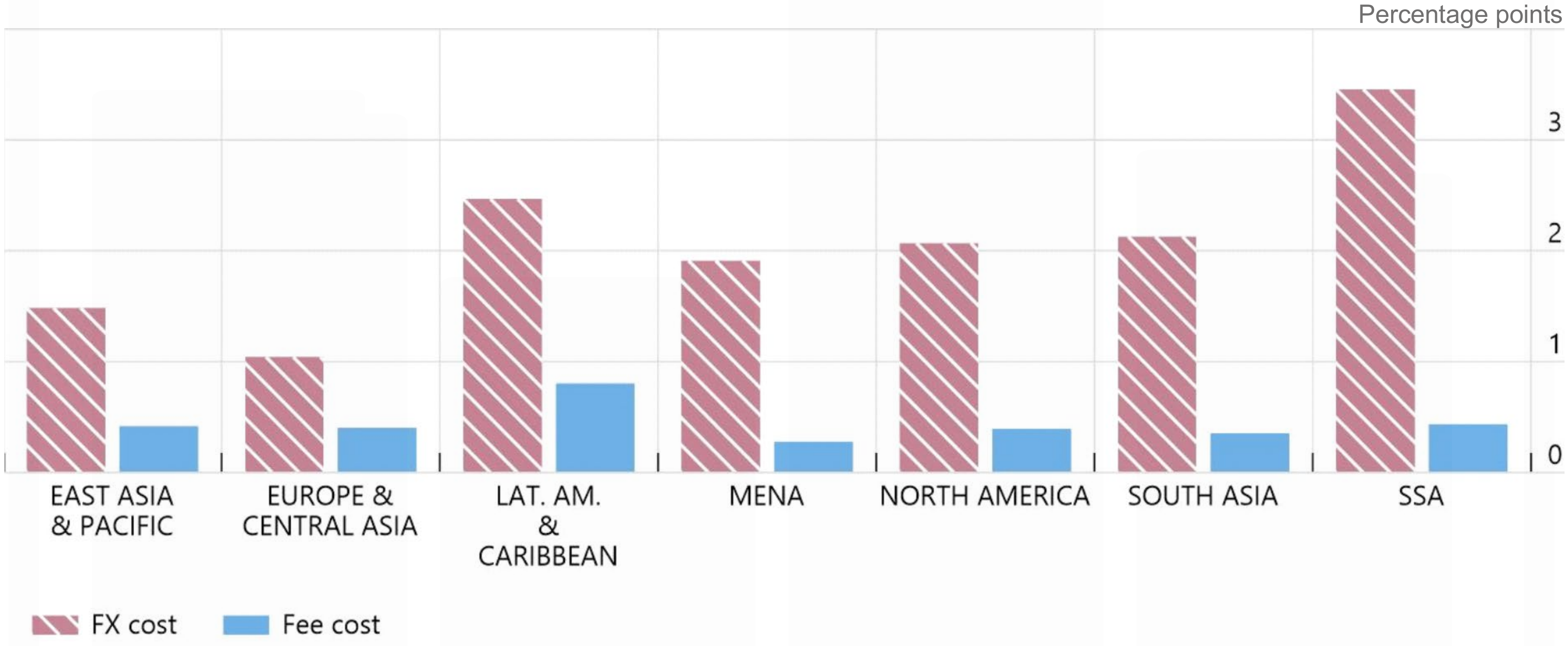
KPI	2023
KPI 1: Average cost of B2B (MSME) cross-border payment transactions	1.5%
KPI 2: Average cost of B2P cross-border payment transactions	1.7%
KPI 3: Average cost of P2B cross-border payment transactions	2.0%
KPI 4: Average cost of P2P (non-remittances) cross-border payment transactions	2.5%
KPI 5: Percentage of corridors with costs higher than 3%	23.7%

Source: FXC Intelligence. Data as of March 2023.

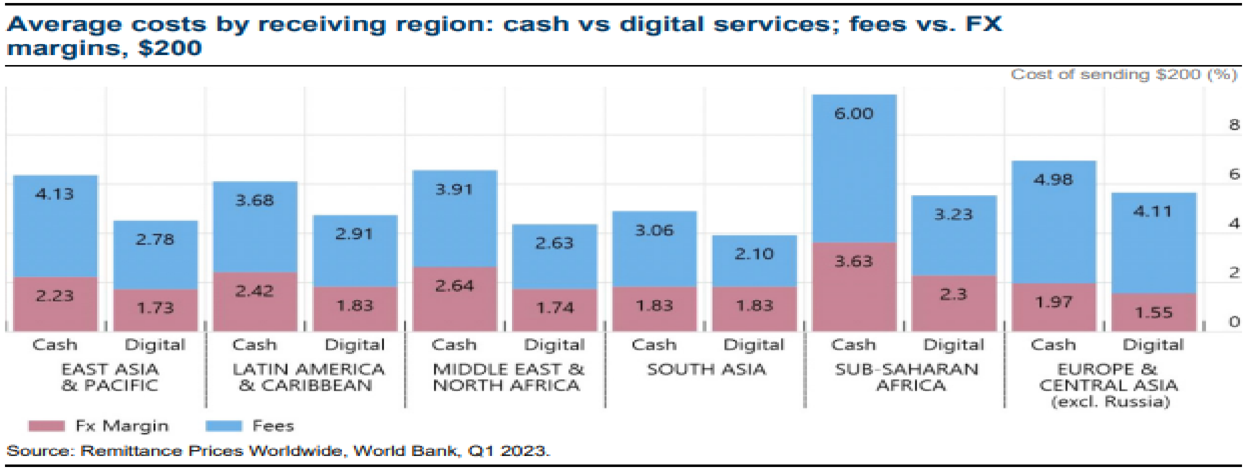
FX charges account for most of the retail cost

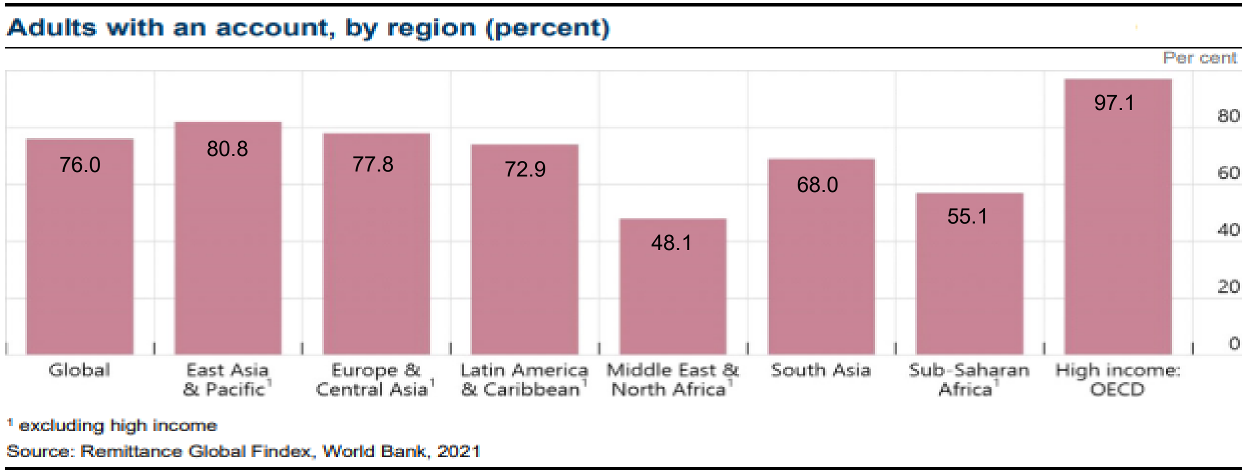
Average FX and fee cost across use-cases

By sending region



KPIs provide insights across the targets - Remittances





- Similarly for remittances, there is quite a bit of variation in the average cost to send remittances to different regions
- Digital remittances are cheaper relative to cash remittances across regions
- Proxy data suggests that access to remittances continues to be a challenge

FSB

Areas for further exploration

- Based on the lessons from the 2023 KPI report, the FSB is further exploring a variety of issues, including:
    - Drivers of speed challenges for beneficiary leg of wholesale payments
    - Drivers of FX costs in retail payments
    - How to improve transparency across all market segments
    - Opportunities for the provision of technical assistance and outreach to the regions and jurisdictions shown to be furthest from the targets

Additional actions aimed to achieve the quantitative targets

- Develop recommendations to enhance the alignment and interoperability of data frameworks
  - Consultation report to be issued in June 2024 and finalized in December 2024

- Enhance the consistency of regulation and supervision of bank and non-banks in payment services
  - Consultation report to be issue during summer 2024 and finalized in late 2024 or early 2025

- Progress report on implementation of the legal entity identifier (LEI)
  - Progress report to be issued in October 2024

+41 61 280 8844
fsb@fsb.org
www.fsb.org/contact
@FinStbBoard
FinancialStabilityBoard

The Financial Stability Board (FSB) is established to coordinate at the international level the work of national financial authorities and international standard-setting bodies in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. Its mandate is set out in the FSB Charter, which governs the policymaking and related activities of the FSB. These activities, including any decisions reached in their context, shall not be binding or give rise to any legal rights or obligations under the FSB's Articles of Association.

FSB