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## **Cross-border payments: A little more conversation, a lot more action**

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The quality and efficiency of domestic payments is clearly higher than that of existing cross-border payments. This relative lack of efficiency is a well-known and long-standing problem, and recent improvements in domestic payments may have even exacerbated this perception. The good news is that there is a firm commitment at the highest level to tackle this problem. In 2020, the G20 leaders tasked the FSB, in coordination with other global committees and international bodies, with improving the situation by 2027. We have come a long way since then, analysing the frictions behind the shortcomings in cross-border payments, identifying areas of improvement and establishing an initial roadmap to address them. An analytical framework has been built over the last two years to update guidelines and identify best practices in these areas. Quantitative targets have also been set and a monitoring framework put into place. In February 2023, the FSB published a revised roadmap, detailing the priority actions that need to be taken to make progress towards the targets by 2027.

As we are roughly halfway through this process, I think it is a good moment to take stock of the progress made so far and analyse what remains to be done in the coming years. In my view, the most important factors to take into account are the following:

- First, the work carried out to date lays a good foundation for the road ahead, but we need to substantially change the approach for the next steps. In particular, we need to clearly shift the focus from analysis to implementation, while gradually increasing the involvement of national authorities and payment system operators in the application of the measures agreed. We also need to broaden the scope of stakeholders, securing the commitment of the private sector, central banks and public authorities beyond the G20. To this end, the FSB has already set up several working groups and task forces in which all interested parties are expected to actively participate.
- I also believe that building consistent data series to track progress is essential, as this is an area in which reliable data has traditionally been scarce. In this regard, the FSB has recently published a dataset of Key Performance Indicators (KPIs) to track progress towards the targets. It is fundamental that these indicators continue to be refined and monitored on a

regular basis to determine whether real progress is being made and to continue driving the initiative forward.

- This is a multifaceted problem and there is no simple, one-size-fits-all solution to all the issues identified. While acknowledging the different starting points of specific jurisdictions and corridors, there are a number of complementary approaches that can be pursued: we need to improve the existing rails, consider possible regulatory changes, work on standardisation and also think about cross-border compatibility when developing new infrastructures. In this regard, I would like to highlight two areas that seem particularly promising in the very short term: the use of common standards for payment messages based on ISO 20022, and the interlinking of fast payment systems. While these infrastructures have mainly been developed to modernise payments within a single jurisdiction, many experiments and initiatives suggest that they could be equally beneficial in a cross-border context.

- Finally, we need to recognise that the pace of progress will vary across jurisdictions and regions. Not all countries and corridors start from the same place or share the same problems. Regional initiatives can therefore be a good short-term response to reduce costs and improve service levels for a significant proportion of global payment flows in the transition to a more efficient global cross-border payments network.

In summary, over the past few years we have developed what I believe is a solid plan for improving cross-border payments worldwide. As with construction, having a good plan is not the same as having the building, but it is a necessary step towards it. At this early stage, these analytical foundations have been developed mainly by central banks and other public authorities, largely in the context of the G20. In order to move forward, we need to broaden the conversation to include the private sector and public authorities from around the world. More importantly, we need to collectively move from words to the implementation of the practical measures that follow from the analytical work. Only through action will we be able to improve cross-border payments, making them cheaper, faster and more accessible and transparent for the benefit of end-users worldwide. To paraphrase the old Elvis song, I would say that the recipe for the next few years is to have a little more conversation but a lot more action.