

July 29, 2022

Financial Stability Board  
Email: [fsb@fsb.org](mailto:fsb@fsb.org)

**Subject: Monitoring progress toward cross-border payments targets**

The Canadian Bankers Association (CBA)<sup>1</sup> is pleased to provide the Canadian banking industry's comments on the Financial Stability Board's (FSB) interim report, "Developing the Implementation Approach for the Cross-Border Payments Targets". We understand this report builds on the FSB's multi-year roadmap that seeks to make cross-border payments faster, cheaper, more transparent and inclusive, and therefore sets out proposals for measuring and monitoring progress towards the quantitative targets that FSB published last year.

The CBA is a strong proponent of policies that contribute to the efficiency and resiliency of the global financial system, and we support international cooperation to ensure cross-border payments support economic growth, international trade, global development and financial inclusion. By enabling digital commerce and providing the ability for consumers, businesses and governments to transact and exchange value, payments truly are the lifeblood of the global economy.

In recent years, banks in Canada have made substantial investments in modernizing Canada's domestic payments system, working in partnership with Payments Canada and other stakeholders on the launch of a new high-value system in 2021, and on a new real-time payment system for Canada that will launch in 2023. As the principal users and owners of SWIFT, banks are also committed to building the future of cross-border payments. Among other initiatives, this includes supporting the transformation of SWIFT and evolving SWIFT's role beyond financial messaging. Over the next few years, SWIFT is set to deliver on a strategic roadmap that includes enabling instant and frictionless cross-border, account-to-account payments – making these transactions faster, more efficient and more cost-effective for customers.

**Feedback on the Proposed Implementation Approach**

The FSB's interim report highlights different sources of data that could be utilized to evaluate progress in relation to the three market segments (wholesale, retail and remittances) for which targets have been set. To assess speed, cost and transparency, the FSB generally proposes using a mix of available data sources such as network providers, data aggregators, and existing databases (such as what is available from the World Bank or IMF). For some metrics, the FSB also considers the option of surveying banks, payment service providers (PSPs) and trade associations to assess performance against the KPIs – while similarly acknowledging the challenges and costs associated with collecting data from PSPs and other market participants.

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<sup>1</sup> The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.

From the CBA's perspective, we strongly caution against imposing reporting obligations on individual firms such as banks, particularly at a time when significant resources are being deployed to transform their payment operations and integrate with new systems that are being built to enhance domestic and cross-border payments. Furthermore, surveys of individual firms may not yield the consistent and reliable data that FSB is seeking due to double-counting problems, and also since there is likely to be inconsistency across firms regarding definitions used for wholesale and retail payment types. As noted above, while the CBA is supportive of the work being carried out by FSB and international co-operation in this area, it is unclear what basis of authority FSB would exercise to request the data needed for this initiative.

For these reasons, other approaches could be more productive for the FSB in monitoring and achieving progress on the cross-border payments targets. For example, FSB should explore conducting a "mystery shopper" survey and employing a specialized data analytics firm that compiles data on cross-border payments – which is the approach taken by the World Bank to populate its Remittance Prices Worldwide (RPW) database. Similarly, we endorse the use of proxies as an indirect but efficient way of monitoring progress – such as the role of legal and regulatory requirements stipulating what information must be provided to end-users as a proxy for the FSB's transparency target.

Rather than making strides to monitor incremental improvements over time in the cross-border payments space, we believe it may be useful for FSB to gather quantitative or qualitative information about the drivers of higher cost and barriers to speed. The CBA's analysis of this issue suggests there are several key barriers outside the industry's purview that impact the efficiency of cross-border payments. These include:

1. Limited operating hours of central bank systems, resulting in delays in clearing and settling across time zones.
2. Compliance and inconsistency with anti-money laundering and terrorist financing requirements, resulting in increased processing time and complexity and therefore increased costs.
3. Reliance on batch processing and lack of interoperability between domestic systems, resulting in longer transaction chains through correspondent banks.
4. Fragmented and truncated data formats, resulting in manual processing rather than automated reconciliation.
5. Funding and liquidity controls, which constrain the ability of banks to deploy capital.

The challenges, opportunities, and risks related to enhancing cross-border payments typically differ for each jurisdiction around the world and may also differ for specific payments corridors. Rather than imposing arbitrary targets applicable to the global market, efforts should be made to explore and identify the local challenges being faced, including the role of central banks, regulators and other authorities in contributing to some of the stated challenges above. Moreover, the work internationally and domestically to modernize messaging networks and core infrastructure, with many countries investing in building real-time payments capabilities, must also be recognized in supporting the FSB's targets.

In the context of meeting targets set for the speed and cost of retail payments and remittances, our view is that the FSB should work to standardize the data elements that make up these targets. For example, there needs to be a common understanding of what is included in the end-to-end payment journey and therefore a standardized approach for measuring the timing of a payment. There also needs to be a common understanding of what the 'cost' of a payment is composed of and whether ancillary costs are considered out of scope. Foreign exchange markets determine the rates and margins that cross-border payments are subject to, which involve costs that banks must pass along to their clients and therefore are not a fee that banks impose on their customers.

The CBA appreciates the opportunity to comment on the FSB's interim report and its preliminary proposals. We look forward to reviewing the FSB's report in October 2022 to the G20 and the public with further details of the implementation approach for the cross-border payments targets.

Sincerely,

A handwritten signature in black ink, appearing to read "Daren Hamilton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.