



1 August 2022

Secretariat to the Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Submission by email to: fsb@fsb.org

Monitoring progress toward cross-border payments targets

Dear Madam / Sir,

Please find attached the submission of the Emerging Payments Association Asia (EPA Asia) on the Developing the Implementation Approach for the Cross-Border Payments Targets Interim Report (the Interim Report) released by the Financial Stability Board (FSB) in July 2022.

EPA Asia's goal is to unify the payments agenda in the Asia-Pacific region, drive business development and improve the regulatory landscape for all organisations within the payments value chain. We are a community of payments professionals whose goals are to strengthen and expand the payments industry to benefit all stakeholders.

Please note, that while we have consulted with our members and industry stakeholders, any views expressed in this submission are the views of EPA Asia and do not necessarily represent the views of individual contributors, Ambassadors or Members. I would in particular wish to recognise the contribution of our Cross-Border Payments Working Group.

Introductory Comments

As an industry body with a regional focus, EPA Asia recognizes the critical importance of cross-border payments. The current reform agenda, that has been endorsed by the G20 and is currently being overseen by the FSB, is broad in its scope and ambitious in its objectives. EPA Asia appreciates the efforts of the FSB in setting targets that would make cross-border payments more transparent, efficient, accessible, and affordable. We would agree that clearly defined targets and metrics are an important part of this agenda, both to better define what success looks like and to reflect the aphorism that "what gets measured, gets managed".

EPA Asia strongly believes that broad and deep consultation on this remains critical. A wide range of stakeholder input is required and EPA Asia, with membership that includes banks, payment service providers, fintechs and others from across the region, can provide a unique and diverse perspective on probably the most economically dynamic part of the world. This diversity extends to the differences seen both with regard to the Asia-Pacific market versus the rest of the world and diversity within the Asia-Pacific market.

Previous EPA Asia submissions to the FSB on the cross-border payment targets raised particular concerns around aspects of the overall approach – including that cost targets, combined with governments or central banks action to regulate costs or prices, could distort outcomes and a lack of

recognition within the targets of important dimensions such as security / fraud losses and data richness. We also identified the Asia-Pacific cross-border payments market has unique features such as its approach to regulation and national currencies (including currency controls); the persistence of informal networks; and the emergence of mobile money through super apps, distributed ledger technology and gaming currencies, all of which are more widely used than in many other parts of the world.

A number of these concerns remain. However, we recognise that the FSB has taken a number of steps to address some of the concern we identified in our July 2021 submission. Below are our responses to the consultation questions included in the Interim Report.

1. Has the FSB identified appropriate potential sources of data for efficiently monitoring progress toward the Roadmap’s targets? What, if any, additional or alternative public or private data sources should the FSB also consider and for what KPIs?

For the most part, the FSB has identified appropriate data sources. It would be useful for the FSB to provide samples or links to data references mentioned, such Global Findex, World Bank and BIS Redbook to help industry stakeholders not familiar with these sources to confirm the suitability of these sources.

The FSB should explore to what degree data already collected by central banks can be effectively leveraged. For example, a number of Central Banks requires local reporting of data on monthly/quarterly/half yearly basis of transaction data, much of which could be used. Central Banks may already have data, though they may need to explore privacy, consent and data security considerations before providing.

One area where there could also be particular exploration is in respect to Cost for Retail payments. A number of central banks collect and publish on payment cost data, though often on a particular topic and /or an occasional basis – examples of this include the Bank of Canada¹ and the Reserve Bank of Australia². It may be worthwhile exploring with central banks whether there could be better coordination in respect to their own research programs / data collection with supporting the FSB agenda.

2. Has the FSB defined the KPIs appropriately, such that they are closely and meaningfully tied to the relevant target? What, if any, additional considerations should inform the calculation of the KPIs so that they provide sufficiently representative measurements of progress toward the targets without being overly burdensome?

For the most part, the KPIs appear to be tied with the targets and not too burdensome. The finer disaggregation of the Cost and Speed targets for various types of retail payments (B2B - large corporate; B2B - MSME; B2P; P2B; P2P - non-remittance) is a welcome change.

One KPI that feels disconnected from its target is the Wholesale Access KPI. The target is in respect to financial institutions, yet the KPI is focussed on payment corridors. While the proposed KPI may be easier to define and quantify, this measure assumes that end-users will be able to easily switch their

¹ <https://www.bankofcanada.ca/2017/03/staff-discussion-paper-2017-4/#:~:text=We%20find%20the%20following%3A,shares%20vary%20by%20payment%20method.>

² <https://www.rba.gov.au/publications/bulletin/2020/mar/the-cost-of-card-payments-for-merchants.html>

provider to be able to send or receive a cross-border payment. This is not always the case, nor should it be expected. We would suggest further examination on how to collect financial institution / payment service provider-level data on a light touch basis.

In terms of priority, it needs to be recognised that there will be different weightings for different types of payments. For instance, it could be argued that for Wholesale, speed (within 1 hr) and cost are more important than access, while for Retail and Remittances, cost and access be prioritised over speed. Transparency is key for all groups and an earlier target date for Transparency than other measures could facilitate data availability to meet the other KPIs information needs as required.

3. The FSB is evaluating the use of proxies for monitoring progress toward some of the targets. Are the proxies proposed appropriate? What, if any, additional or alternative proxies should the FSB consider that are sufficiently representative and simplify monitoring?

We recognise the need to adopt proxies for certain measures. However, the existence of a law or regulation on a country's books is often a poor proxy as it often fails to capture the breadth of application of the regulation, the existence of any exclusions and the overall level of compliance. We would therefore suggest further examination of KPIs and data sources for Transparency.

One final observation relates to the FSB noting that a full set of estimates of current performance will not be available by the October 2022 G20 Leaders' Summit in Bali, Indonesia. While this is disappointing, this acknowledgement is a recognition that data collection and measurement in these areas remains complex and difficult.

EPA Asia thanks the FSB once again for the opportunity to respond. We are more than happy to expand further on the items raised in this submission. If you do have such questions, please feel free to contact our EPA Asia Ambassador, Dr Brad Pragnell at brad.pragnell@34south45north.com.

Yours sincerely,

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