

EBOOK

Cross-Border Payments

An Opportunity for Monetization
through Modernization



Introduction

From inter-continental business collaboration to global eCommerce, our world has never been so open.

But for money to move quickly, safely and smoothly around the world, certain infrastructure has to be in place. The need for faster, cheaper, more transparent and more inclusive cross-border payments is now so pressing, the G20 has launched a task force — including the Committee on Payments and Market Infrastructures (CPMI) and the Financial Stability Board (FSB) — focused on addressing the challenges that stand in the way of making cross-border payments more efficient.

To deliver truly modern cross-border payments capabilities — providing real-time, 24x7x365 services with greater visibility to varied audiences — banks need to modernize and improve the traditional correspondent banking model, widely regarded as slow and expensive. They must also support future customer needs while considering their own efficiency and profitability.

For some — including large, international banks and innovative FinTechs — this process is well underway. For others, there's a great deal of work to be done — a task which is complicated further by regulatory pressure, co-existing timelines across regions, and the cost of change. Not to mention the global shift towards ISO 20022 messaging as the industry standard.

The Current Cross-Border Landscape: Values, Volumes and Expectations



McKinsey predicts that, by 2022, there will be 6000 billion cross-border transactions.

[McKinsey Report](#)

Historically, cross-border payments were primarily high-value and relatively low in volume. Over the last decade, however, volumes have risen significantly (including for low-value cross-border). [Research from Aite Group](#) indicates that 60% of American businesses and 80% of European businesses now have a need to make cross-border payments. If banks want to keep serving customers successfully, facilitating these payments (along with other value-added services) is key.

The challenge now is customer experience. Corporate clients are seeking greater transparency, visibility and tracking of international payments, but banks still face operational limitations that reduce efficiency, resulting in liquidity shortages and delays. Some banks also face system limitations that prevent them from confirming when a payment is fully completed, which is also detrimental to the customer experience.

There's also a financial imperative. The [same research](#) showed that cross-border payments totaled US\$130 trillion in 2019, generating US\$224 billion in revenue as a result. While 2020 saw a decline in transactions, this temporary decrease can be attributed to pandemic-related lockdowns: revenue from cross-border payments is expected to hit US \$261 billion by 2025, representing a huge financial opportunity for banks and other payments providers.

The demand for better experiences

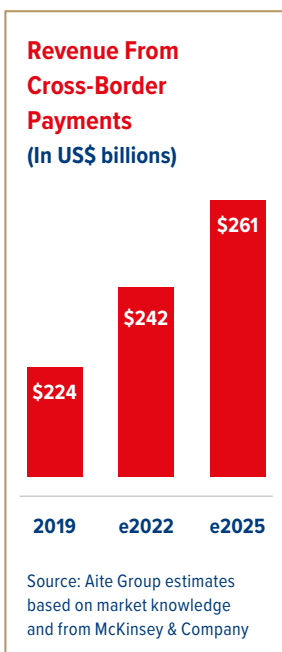
Domestic payments are now faster and more frictionless than ever before, with huge improvements in data, transparency of payment status, accessibility, and connectivity. Unsurprisingly, consumers and businesses now expect the same of their cross-border payments.

Improvements have already been made: cross-border payments have been through an overhaul with the introduction of SWIFT gpi. As a result, large volumes of payments around the world are now done under 30 minutes, which is a significant achievement.

Proof of value for cross-border collaboration

The value of investing and collaborating in cross-border payments systems is already being proved by regional groups around the globe. For example, the South African Development Community (SADC) has introduced a regional cross-border real-time gross settlement system (SADC-RTGS).

This bespoke payment system is tailored for how each region makes payments — whether that's SEPA, RT1, TIPS or Buna Instant Payments. This approach has simultaneously facilitated trade in the region, lowered the cost of cross-border payments, and improved the experience of sending and receiving payments. As centralized infrastructures move towards real-time there are also aims to provide interoperability between countries creating real-time cross border payments, such as the ASEAN network.



The Challenge of Change

Clearing and settlement are now faster — but in many instances, manual interventions are still required due to a lack of data or truncation in payments. There is also a lack of transparency for customers over what stage of the journey their payment is at.

There's a real need to improve this process — and in many jurisdictions, regulators are driving change. However, these changes are rarely mandatory, making it difficult for banks to decide whether to invest in them. The presence of legacy infrastructure and low levels of interoperability in messaging standards between different jurisdictions means data is rarely standardized, and functionality is poor.

Meanwhile, the cost of innovation can be prohibitively high, as is the cost of managing complex regulatory changes. This can ultimately make it difficult to successfully build the case for serious investment — because while margins and customer retention rates are certainly under pressure, the profitability issue is not yet so urgent as to demand action. At present, the only truly pressing case is achieving regulatory compliance.

But banks can and should be looking to the huge economic opportunity, using this to drive forward the internal innovation agenda.

The financial opportunity

Being able to facilitate high volumes of cross-border payments with value-added services layered on top creates huge opportunities for mid-tier banks, including:

- Increased revenue potential from transactions
- Higher margins from transactions
- Foreign exchange (FX) fees
- Treasury services such as automated payables and receivables

It's also worth remembering that growing globalization means many businesses will only want to partner with a bank that can provide cross-border payments alongside other domestic payment services — and preferably with other competitive offerings in the mix, like real-time capabilities.

Having those capabilities may well shift from being a competitive differentiator to a hygiene factor, which means banks must act now to begin this transformation. Fortunately, innovation across the markets mean there are now more opportunities to do this: payment networks such as Visa B2B or Mastercard Send, along with multiple ISO migration time frames, mean that banks can offer services relevant to each customer's use case based on value, risk, and speed.



Collaboration for Change: Making Cross-Border Transformation a Reality

Next-generation cross-border mechanisms — such as SWIFT gpi, Ripple, Visa B2B, Visa Direct, and others — are rapidly gaining traction. If banks do not modernize their legacy services, competitors will close the gap.

Volante allows banks to realize the opportunities of this fast-growing market, by accessing the full range of cross-border payment clearing and settlement mechanisms, traditional and next-generation, in one modern cloud-native platform.

Modernize and simplify

With a proliferation of clearing and settlement mechanisms both at a global and regional level banks need to address payment modernization.

The challenges include:

- Time to market and ability to access multiple payment networks
- Managing different flavors of ISO 20022 messaging formats globally
- Greater automation of the end-to-end process especially around routing and reconciliation
- Ability to launch data driven services to increase visibility, tracking and confirmation of payments
- Simplifying innovation and adoption of new schemes

Volante's *VolPay Cross-Border Payments* solution is cloud-native and API based, meaning it can support all major cross-border payment networks — but will also be fit to flex in light of any new solutions or networks that emerge. This gives banks confidence that any investment made now will continue to provide value for the long term.



The future of cross-border payments: what VolPay offers

Volante's solution empowers its banking customers to:

- Access the full range of cross-border payment clearing and settlement mechanisms
- Provide 24/7/265 services
- Overcome the challenges of traditional correspondent banking
- Provide efficient, fast and transparent cross-border payments
- Payment as a service enabling banks of all sizes to rapidly adapt to change

Innovate and enhance

Beyond this, Volante's solution empowers banks to innovate their cross-border offering — helping banks use cross-border payments as a competitive differentiator in market.

The open architecture of Volante's solution also allows customers to combine cross-border servicing with innovations in open banking, meaning they can expand into new markets and grow market share. This includes opportunities around leveraging the infrastructure to generate new revenue models, such as payment initiations and validation services.

Banks can also tap into the power of cross-border processing based on blockchain distributed ledger technology, with central bank digital currency (CDBC) offering mid-tier banks the support needed to offer a more diverse payment system.





Monetize and grow

With cross-border innovation in hand, banks can confidently realize the financial benefits of a strong cross-border payments offering.

Volante enables you to monetize cross-border capabilities

- Develop better omnichannel customer experiences with a rich cross-border payment API library
- Raise international straight-through processing (STP) rates to improve payment efficiency and speed
- Achieve lower per-transaction cost to strengthen margins
- Provide your customers with a wider range of cross-border payment options

In addition to this, leveraging APIs to lower the cost of collaboration with the fintech ecosystem can offer new streams of revenue. Acquisition of volumes costs will decrease, and processing with the existing infrastructure will generate a return.

Why Volante: A partner for the future of cross-border trade

With more and more emphasis being placed on facilitating payments — and particularly real-time payments — across borders, banks must begin planning how they will facilitate frictionless cross-border payments for their business, merchant and consumer customers. Wait too long, and innovative fintechs or international banking leaders will inevitably step up to provide customers with the smooth, fast and visible cross-border payments experience expected in a global economy.



Cross-Border Change: The Time is Now

The future of cross-border payments is an exciting one. As globalization drives volumes of cross-border payments, the provision of real-time, friction-free cross-border capabilities will prove important for banks looking to win customers, improve loyalty, and generate reliable revenue streams.

And while there are challenges to be overcome in transforming how cross-border payments function, banks can take assurance that, with the right partner and thoughtful collaboration across nations and relevant bodies, the necessary innovation can be confidently achieved to the benefit of all.



To find out more, visit our [website](#) or request a meeting with our experts [here](#)

About Volante Technologies:

Volante Technologies is the leading global provider of cloud payments and financial messaging solutions to accelerate digital transformation. We serve as a trusted partner to over 100 banks, financial institutions, market infrastructures, clearing houses, and corporate treasuries in 35 countries. Our solutions and services process millions of transactions and trillions in value every day, powering four of the top five corporate banks, 40% of all US commercial bank deposits, and 70% of worldwide card traffic. As a result, our customers can stay ahead of emerging trends, become more competitive, deliver superior client experiences, and grow their businesses through rapid innovation. To learn more, visit www.volantetech.com

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