



Opening Remarks & Context

Beyond Borders: Redefining Cross-Border Payments for a Customer-Centric Approach

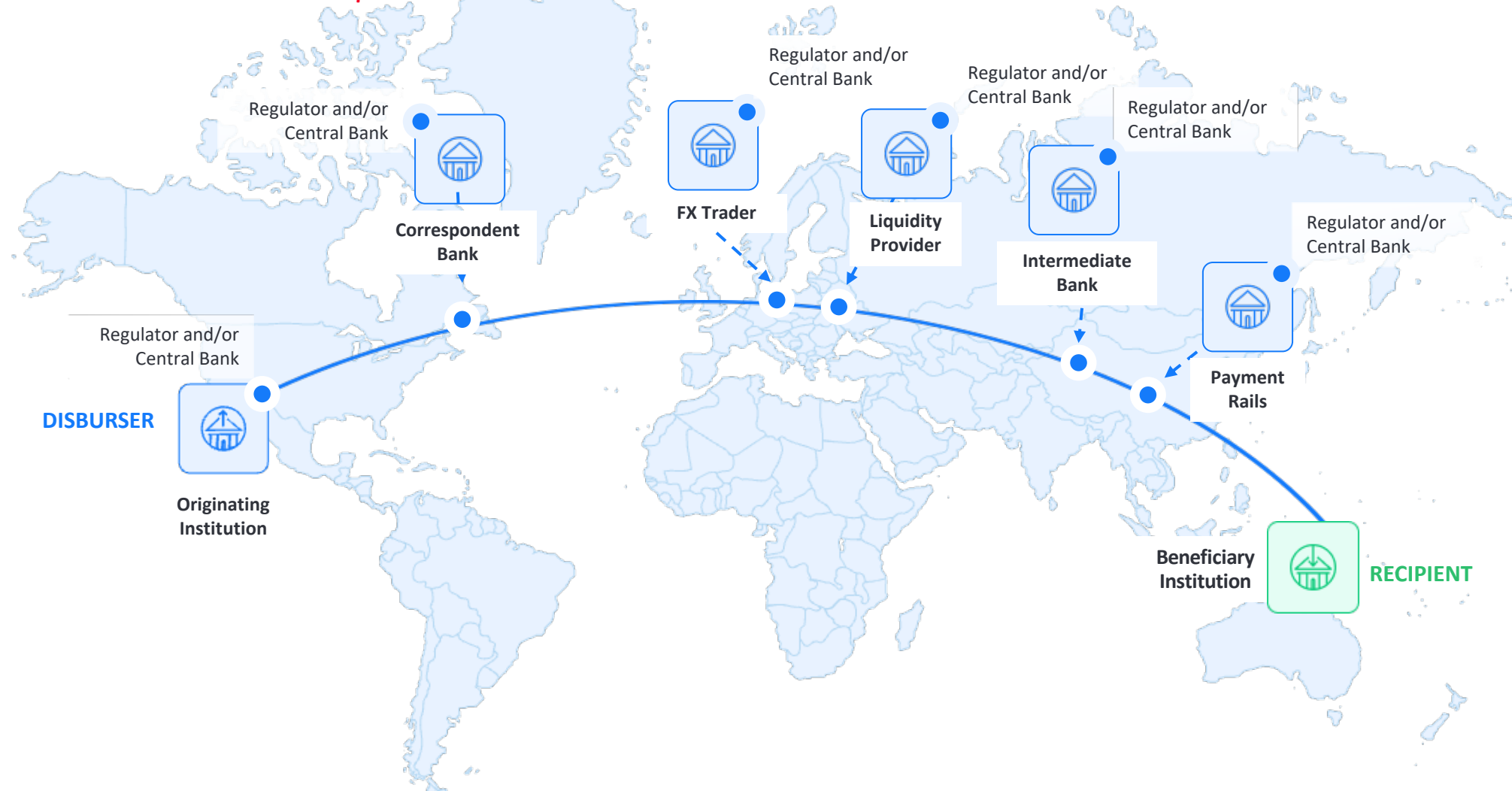
Gary Palmer

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A DISPARATE ECOSYSTEM WITH NO INTEROPERABILITY



YET THE WORLD DEPENDS ON **\$160T+** OF CROSS-BORDER PAYMENTS – CLASSIFIED AS HIGH RISK



G20 ROADMAP - 19 BUILDING BLOCKS



A

1. Common targets
2. Guidance and principles
3. Service levels



Public and private sector commitment



Regulatory supervisory and oversight framework

4. Regulation and supervision
5. AML/CFT rules
6. Payment corridors
7. KYC and ID info sharing
8. Data framework

B

Enhanced Cross-Border Payments



Existing payment infrastructure and arrangements

9. Payment-vs-payment
10. Payment system access
11. Liquidity bridge
12. Operating hours
13. Interlinking

C

E

17. Global stablecoins
18. Multilateral platforms
19. CBDCs



New payment infrastructures and arrangements



Data and market practices

14. ISO 20022
15. API protocols
16. Unique identifiers

D

FROM THE CHAIRMAN OF THE U.S. FEDERAL RESERVE BANK



“

Cross-Border payments suffer from processes that make it difficult to comply with anti-money-laundering and countering-terrorist-financing requirements... reliance on outdated technology... these contribute to higher costs...



THE GOAL

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Create an ecosystem for “Cross-Border payments that is **faster, cheaper, more transparent, and more inclusive.**”

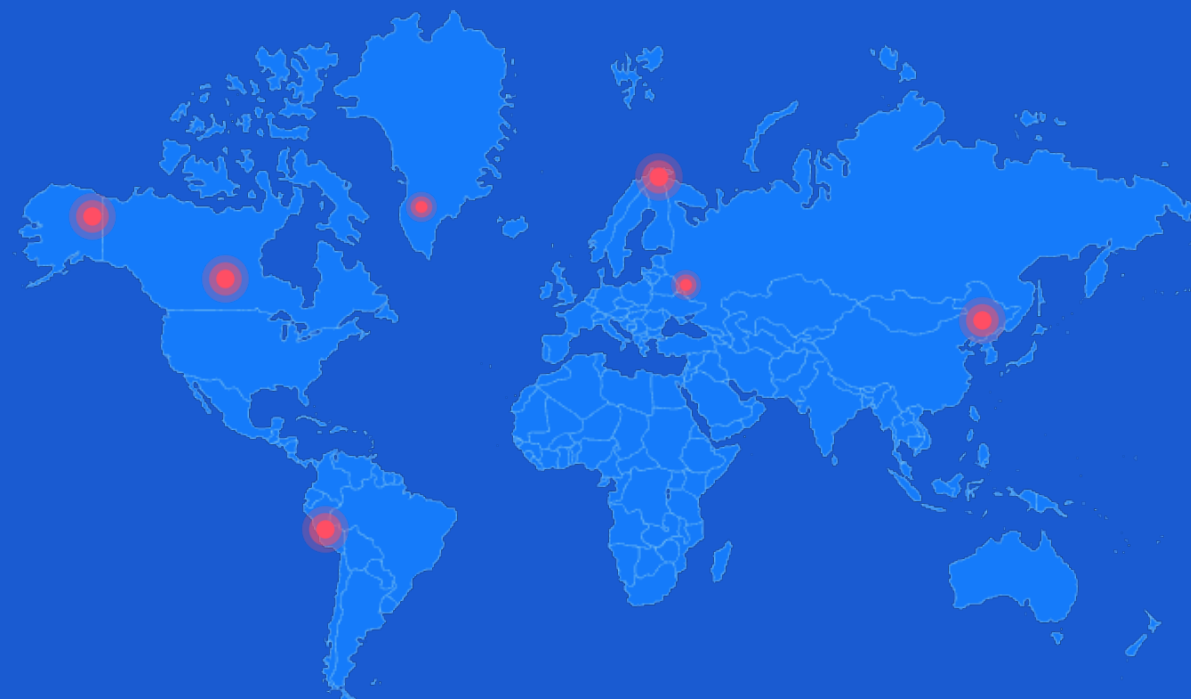


Gerome Powell

Chairman US Federal Reserve Bank



\$160T GROWING TO \$230T BY 2030



CENTRAL BANKS, REGULATORS, BANKS & USERS ALL ACKNOWLEDGE

ALL ACKNOWLEDGE THE PROBLEMS



We'd like to focus on 4 goals, they're easier than 19 and will produce the biggest impact.

CROSS-BORDER PAYMENTS MUST BE



Safe



Transparent



Efficient
(fast, low cost to the ecosystem)



Inclusive

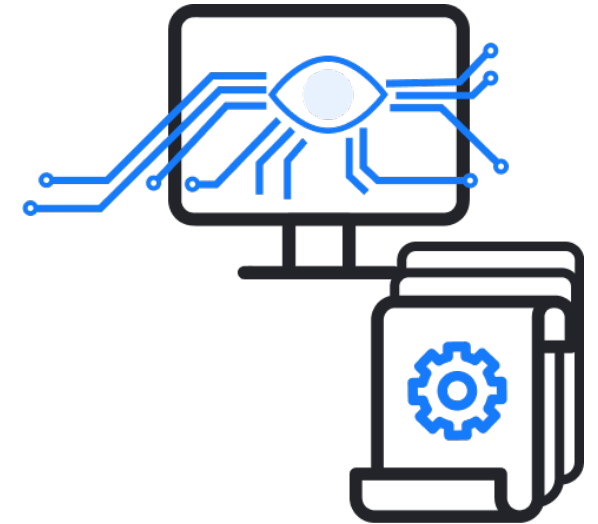
But let's first understand why this has been so difficult – until now.



ROOT CAUSES OF THE PROBLEM FOR: **ORIGINATING INSTITUTIONS**



- ✗ Core systems and digital bank platforms weren't built to collect, authenticate, store or process cross-border payment data
- ✗ Compliance, risk and SOPs are manual and materially impaired – resulting in costly, slow and error-prone results (if executed)
- ✗ Audits fail because manual processes aren't executed 100% which leads to fines, sanctions and/or “de-risking”
- ✗ Expensive and difficult (impossible at times) to secure a foreign correspondent bank
- ✗ No software to digitally engage disbursers to collect required Know Your Transaction documentation nor software to authenticate the docs
- ✗ Capital intensive to fund nostro-vostro accounts and FX volatility is too risky for the P&L and/or balance sheet





ROOT CAUSES OF THE PROBLEM FOR: **CORRESPONDENT BANKS**



- ✗ Core bank systems weren't built for banks to efficiently and properly support business from foreign financial institutions
- ✗ Must "trust", using the Wolfsberg questionnaire and audits, foreign FI's to properly execute KYC, AML, KYT and similar policies
- ✗ Even large, global banks, with massive budgets for technology, compliance and product are sanctioned, pay billions of dollars in fines and are "de-risked" in this business. Why? Because of the absence of proper software
- ✗ Compliance, risk and SOPs depend on costly, slow and error-prone manual execution
- ✗ Regulatory as well as internal audits often fail because of the correspondent bank's failure to follow their manual processes which leads to fines, sanctions or de-risking
- ✗ No "see-through" to disburser KYC, eIDV, sanction screen results, commercial activity/source of funds, or reason for payment





SENDERS / DISBURSERS SUFFER

- ✗ Costly, especially for small payment amounts
- ✗ Limited to sending money to bank accounts (SWIFT participants)
- ✗ No communication of payment status – when funds are received
- ✗ Prefer to work with banks and other regulated financial institutions
- ✗ Inconsistent fee transparency
- ✗ Takes several days or weeks and “holds” are common with no explanation as to “why”
- ✗ No tools for mass or bulk payments – essential to support many B2X payment needs
- ✗ Would like to pay by email and SMS – it’s costly and risky to collect PII and financial details



RECIPIENTS SUFFER



- ✗ Required to have a bank account
- ✗ Rarely is there certainty regarding how much they’ll receive given FX volatility and local banks “international wire fees” for inbound payments
- ✗ Often takes several days to receive funds
- ✗ Unusual, unexplained “holds” on inbound transfers are too common

BEYOND BORDER:

REDEFINING CROSS-BORDER PAYMENTS



For a Customer-Centric Approach

- Increased competition improves products for users.
- New tech and new paradigms (ex. Mastercard Cross-Border Services) are changing the industry.
 - Just about any bank, financial institution, EMI or other regulated entity can now easily & safely offer far superior cross-border payments.
 - Unique features (desired by users!), near-instant speed and inclusive receive options, that have never before been available before, are now possible.
- Given the above, let's explore the new possibilities of a Customer Centric Approach to Cross-Border Payments!

CROSS-BORDER PAYMENTS MUST BE

- ✓ **Safe**
- ✓ **Efficient**
(fast, low cost to the ecosystem)
- ✓ **Transparent**
- ✓ **Inclusive**
(pay anyone, anywhere – even the unbanked or alternatively banked)