


# Learning to sing in harmony

A year on from moving to the ISO 2022 standard for all cross-border payments, how does the space need to develop to promote harmonisation?

*Jack McRae and Lucy Carter report*



“I think we can say we’ve now got the chassis and we’ve got the wheels.” Roland Brandli, strategic product manager at SmartStream Technologies, draws out an imaginary vehicle with his arms. “It’s not a comfortable car yet, and really it has to be completed in order to bring a lot in the benefits — but it takes time.”

The transition to ISO 20022 standardisation for all cross-border payments began in March 2023 and has transformed the ways in which banks communicate payments between each other. The standardisation vehicle has transported payments into the future.

Sarah-Jayne Van Greune, chief operating officer at Payen, credits the role of ISO 20022 in the payments space. She says: “The historical inefficiency of cross-border payments has been a frustrating maze of incompatible formats and missing information.

“ISO 20022 isn’t just an upgrade, it’s the future of the payments industry. By streamlining communication and data exchange, it paves the way for a future of faster, cheaper and more transparent cross-border payments.”

But, how can the car be made more comfortable?

### The new gold

For SmartStream Technologies’ Brandli, achieving harmonisation is reliant on the access and availability of rich data. However, in an ever-competitive industry, this has not been possible.

He explains that the challenge lies in the fact that, “everybody always looks for a competitive edge. They want to say our data is different, our way of doing things is different and so there are all these different payment rails populating the data slightly differently.

“But, the banks are interested in the data. Data is the new gold.”

Payen’s Van Greune echoes Brandli’s calls for greater access to data in the industry and points to transparency as key. She says: “Unclear fees and a lack of tracking leaves users and businesses

frustrated and unsure when their payments will arrive. To transform this experience, financial institutions need a two-pronged approach that prioritises transparency.”

In her ‘two-pronged approach’, Van Greune stresses the necessity of further standardisation and upfront information. She says that the former will allow “senders and receivers to know exactly where their money is and when it will arrive”.

She develops her point by stating: “Upfront information is crucial. Service providers must disclose all costs associated with a transaction, including exchange rates, intermediary fees and the final amount received. This empowers users to make informed decisions and avoid hidden charges.”

However, major industry goals and policies do not always reach their full potential.

The G20 established their cross-border payment enhancement goals in October 2020 and wished for more efficient, cheaper, transparent and inclusive payment methods.

While reaching some of these goals represents a major achievement, the industry still has further to travel, says Anish Kapoor, CEO of AccessPay.

“The communication of the changes being made to meet the G20 goals for ordinary businesses and people is not happening at the pace and clarity it needs to. The changes planned cannot be made without taking the initiators of payments on the journey with us.”

Kapoor continues: “I think the industry will mostly achieve the cross-border payment enhancement goals set by the G20 in October 2020, although the addition of remittance data to payments is unlikely to be achieved by the timeframes outlined. I do think the spirit of the agreement will be largely met, which is still a major achievement.”

Yet, the nature of the cross-border payments space brings geopolitical complexities that makes finding that harmonious, comfortable car all the more tricky.

### Global insecurities

When Russia launched its invasion of Ukraine in 2022, The Society for Worldwide Interbank Financial Telecommunication, or better known as Swift, released a statement.

It read: “Diplomatic decisions taken by the European Union, in consultation with the United Kingdom, Canada and the United States, bring Swift into efforts to end this crisis by requiring us to disconnect selected banks from our financial messaging services.”

Swift disconnected seven designated Russian, and a further three Belarusian, entities and their respective subsidiaries, in accordance with the legal instructions in EU Council Regulation (EU) 2022/345 and 2022/398, respectively.

The impact of Russia’s invasion has ‘changed the mindset globally’, according to SmartStream Technologies’ Brandli.

“Since [the disconnection of Russian and Belarusian entities from Swift], you have seen the advent of a lot of alternative payment channels and regional payment routes,” Brandli explains. “In the Middle East there is BUNA, in Asia-Pacific there is MEPS and then you’ve got MasterCard and VISA getting involved in cross border payments.”

Brandli argues that this creation of alternative payment channels has developed out of unease towards the Western world. He states: “This is all driven by the fact that, especially outside of the Western world, a lot of insecurity has arisen that, if people are not favourable to the Western governments, they worry that they might also be dropped by Swift.”

### A message in a bottle

Not only does geopolitical competition affect the cross-border payment space, but the race to be the fastest impinges on harmonisation.

“The customer doesn’t care how the issue is solved, just solve it.” Brandli laughs with an underlying hint of frustration. “I think that’s really important in a digital age. There are so many

smooth ways of opening up a bank account. You can sort it in half a day and it's up and working.

"But what banks tend to forget is, if something does go wrong with my payment, I can also do that just as quickly with another bank afterwards."

He also argues that the issue with cross-border payments is not in the "97 per cent of payments that go through successfully, but the 3 per cent that fall into exceptions where it goes wrong."

Brandli highlights 'free format' messages, written manually, as the underlying issue when it 'goes wrong'.

"When it comes to that 3 per cent of exemptions, that is still millions of transactions. Swift says in the Middle East that of the exceptions that arise, 53 per cent are done with 'free format' messages. In Europe, it's 64 per cent. In Asia-Pacific, it's around 80 per cent. In South America, it's 88 per cent. And, you wouldn't believe it, but in North America it is 92 per cent.

"That is a lot of manual work to be done. Even if it is just typing or reading, with this volume it is expensive and unnecessarily time consuming."

Brandli takes me on a journey as he describes the speed at which two payments he made at the same time went through. He explains how two equal payments from a bank in the UAE were received by two banks in different countries at the same time. One payment landed in one country's account hours later, the other after five days.

The story takes a similar theme to Payen's Van Greune's assessment of the future of cross-border payments. She says: "We live in a world connected by instant messaging and same-day deliveries, yet sending money internationally can feel like sending a message in a bottle and hoping it washes ashore weeks later. With opaque fees and confusing hidden fees remaining a challenge, how we do cross-border payments needs to change."

So how can the industry achieve this?

"Financial institutions must embrace technology, such as automation, if they are to streamline paperwork and make real-time tracking the norm, not a novelty," Van Greune emphasises. "This, combined with the harmonisation of regulations across borders, could eliminate unnecessary delays that currently leave businesses in the dark."

### A way out the dark

For all three members of the industry, there is a way out of the darkness but it will require a concerted effort from all facets of the industry to work together on finding harmonisation.

Payen's Van Greune stresses the importance of collaboration: "By working together — governments, financial institutions and businesses — we can embrace a new era where sending money abroad is as effortless as sending an email. This isn't just about convenience; it's about fostering a more inclusive and interconnected global economy."

AccessPay's Kapoor also explains how each part of the industry has to play its part. He believes that "improving cross-border payments falls on the banks and schemes to work with the regulators to make it easier for the instructed payments".

He continues to explain that "it is important for fintech providers to work with organisations and their banks, leveraging technology to support and automate this, making the whole process more efficient".

As we draw to the end of our discussion, SmartStream Technologies' Brandli finds humour in banks' constant need to prove themselves as the best, a competitive spirit that is not necessarily conducive to improving business. He explains that, given the ease the digital age brings, customers can just as easily switch away from a bank as they can join.

"A lot of people think it's a benefit to do everything slightly differently, but ultimately, in this digital world that's just rubbish. That's an old way of looking at it," Brandli urges. "It may feel that [a customer is dependent on one bank's services] but if people can just circumvent that, you might as well just get it right and start working together." ■