



FPC 2023 Spring Member Meeting

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Cross-Border Payments: Infrastructure, Challenges, and Opportunities for Global Payments with an Emphasis on Correspondent Banking

Panelists



Rodman Reef
Moderator
Reef Karson
Consulting, LLC



Rohit Godara
Panelist
J.P. Morgan
Chase



Keith Melton
Panelist
Federal Reserve
Financial Services



Rina Wulfing
Panelist
Wise

Wise Infrastructure

Wise infrastructure makes moving money instant and cheap.

16 million Customers around the world

\$10 billion Moved for customers every month

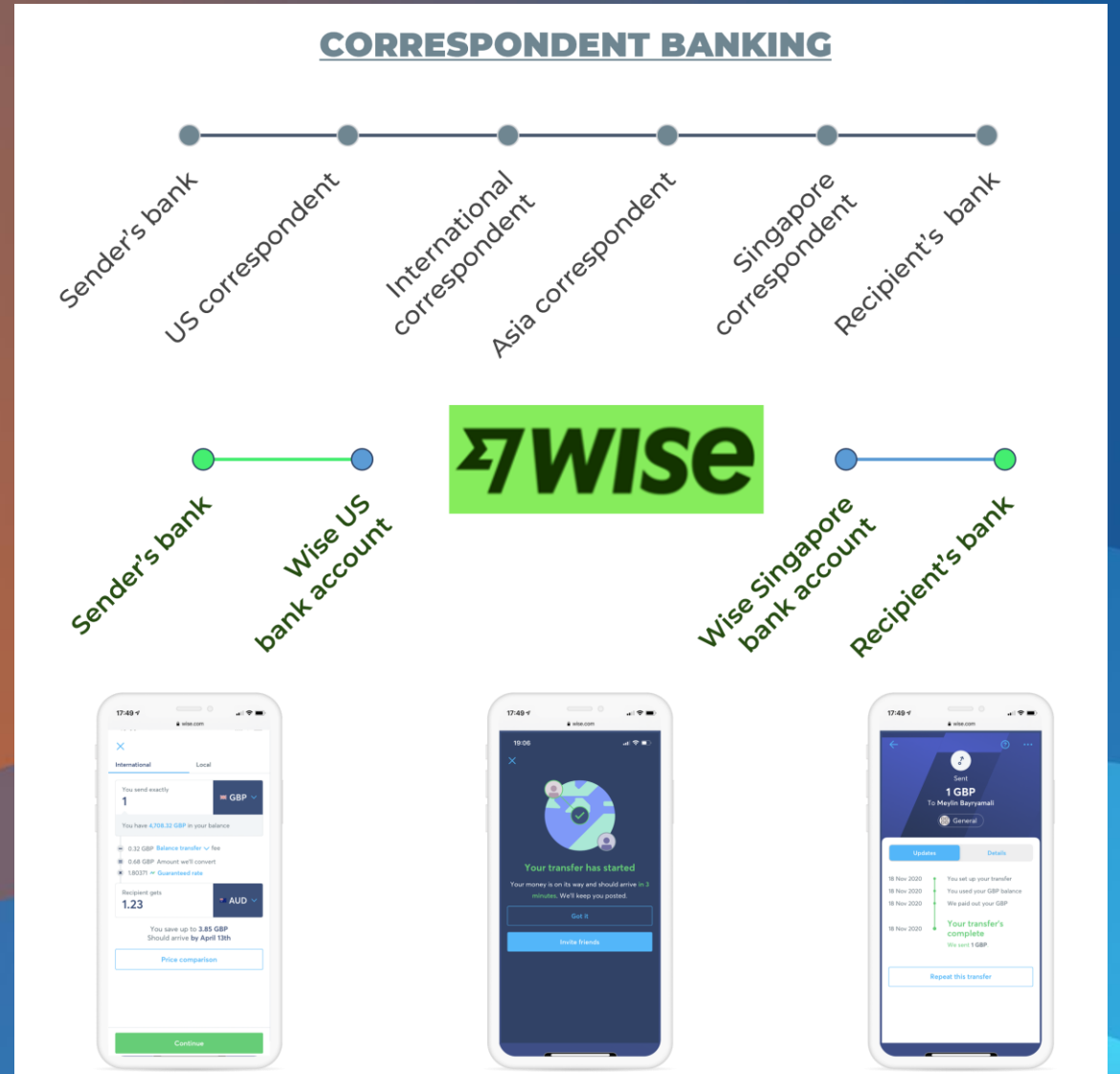
4% Of personal x-border global volume

\$1.5 billion Saved for our customers every year

Over half Payments instant (<20 seconds)

No hidden fees

Transparent pricing w/ mid-market fixed rates



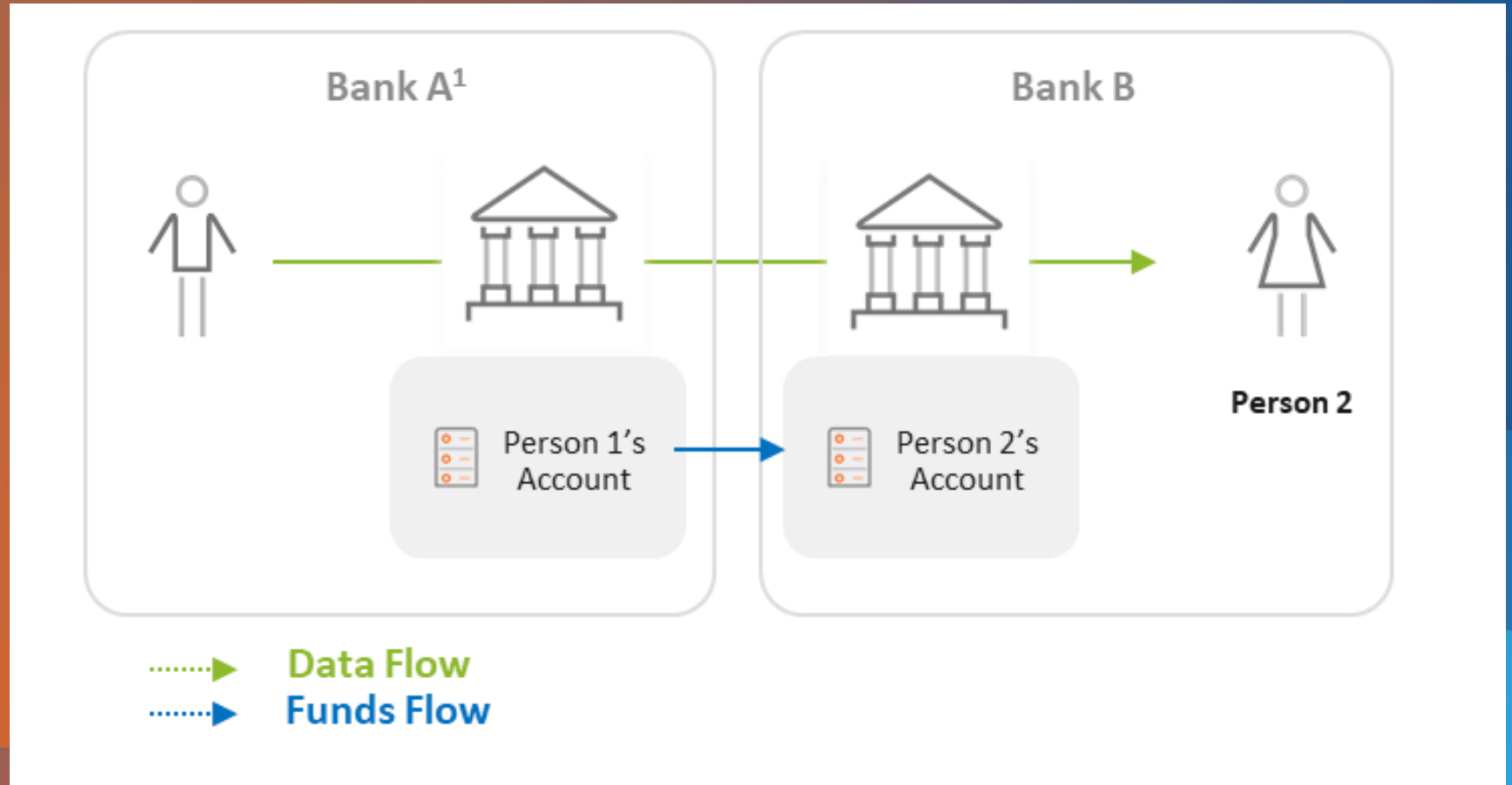
Objective

- **Outline the state of correspondent banking and some competitive options**

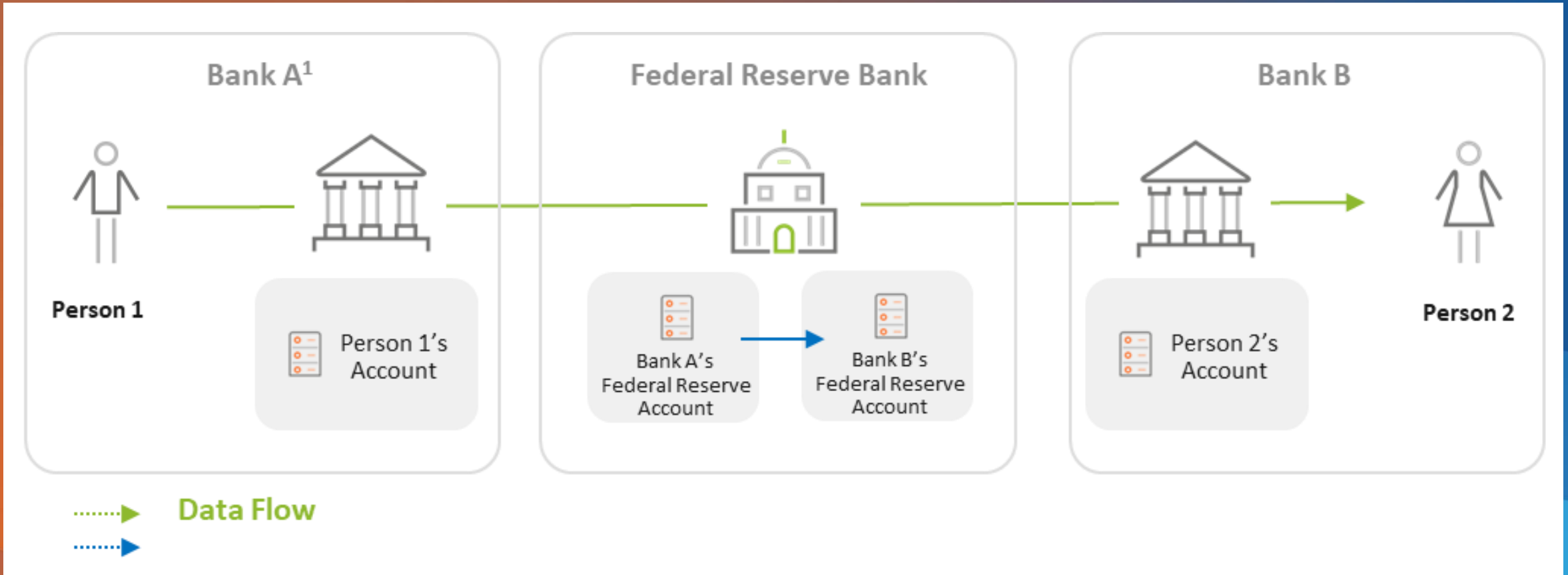
Cross Border Payment Growth

- **Analysts and experts project continued growth**
 - Forecasts suggest worldwide remittance flows will exceed \$794 billion in 2023 up from \$773.13 in 2022 (Insider Intelligence)
 - B2B payments cross border are expected to exceed \$40 trillion by 2024, up from \$37 trillion in 2022 (Juniper)
- **Much of the growth can be attributed to restored global mobility (after the pandemic) and greater access to global markets for consumers and small businesses**

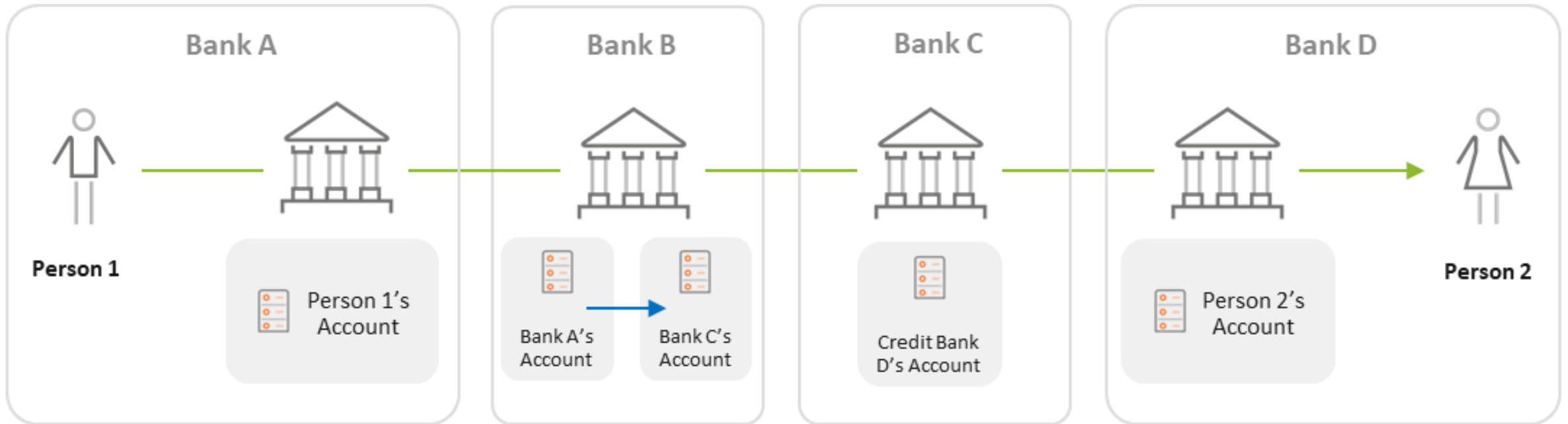
How Money is Moved Across Borders



How Money is Moved Across Borders



How Money is Moved Across Borders



.....▶ Data Flow
.....▶ Funds Flow

Correspondent Banking is the Backbone

- **Correspondent banking relationships and SWIFT remain the backbone of the cross-border payments infrastructure**
 - But there are several competitors who use different processes
- **Recent decades have seen a decline in correspondent banking relationships even as payment volumes and their value have increased**
 - BIS data shows the number of correspondent banks fell 20% between 2011 and 2018
 - Banks exited countries where governance and controls over illicit financing were weak
 - De-risking is largely an attempt to shed the risk of money laundering, terrorist financing and sanctions
 - De-risking and expense caused smaller FIs who have limited volume to exit correspondent relationships

Additional Challenges or Pain Points

- **Sending and receiving banks are impacted by:**
 - Rising, from interest rate increases, cost of maintaining balances at correspondents
 - Regulatory requirements to assign capital against correspondent balances
 - AML/KYC compliance requirements
 - Including sanctions compliance
 - Currency controls
 - Lack of cost and delivery time transparency
 - Complex dispute processes
- **Because of the complexity, users see:**
 - Longer delivery times than domestic transfers
 - Less transparency in cost and delivery times
 - Higher cost
 - Limited options for sending funds to certain countries

Challenges or Pain Points (Continued)

- Recent innovations by traditional and new players are aimed at minimizing or eliminating many of these challenges

Audience Q&A