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# Cross Border Payments Work Group 2022 Mission and Initiatives

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Cross-Border Payments Work Group Concurrent Session  
March 4, 2022

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# Cross Border Payments Work Group

Barry Tooker, iSoftware4Banks, Inc. (Chair)



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**Barry Tooker**  
Chief Product Officer  
Global Head of Product Management  
iSoftware4Banks, Inc.



**James Sellick**  
Customer Success  
Ripple



**Rodman Reef**  
Managing Principle  
Reef Karson Consulting, LLC

# Central Bank Digital Currencies and their effect on cross-border faster payments

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Who we are:

- Workgroup Founded in 2020
- Currently 30 members representing the FPC segments: Business End Users, Financial Institutions, Payment Network Operators, Technology Providers, and representatives from business and industry organizations.

What is our purpose:

- Identify what the industry needs to do in the cross-border space to create the environment necessary for cross-border faster payments.

What we've accomplished:

- Published cross-border faster payments whitepaper in June 2021
- Pivoted to cover industry initiatives effecting cross-border faster payments
- Revised our Mission and Charter to initially focus on Central Digital Bank Currencies and their effect on cross-border faster payments



# Central Bank Digital Currencies and their effect on cross-border faster payments

## What we've accomplished...

- Published cross-border faster payments whitepaper in June 2021
- The paper addressed **Use Case and Experience Requirements** for cross-border faster payments
- 5 key components of cross border payments were analyzed against interoperability and settlement schemes to assess various approaches to delivering faster payments

		Cross-Border Models					
		INTEROPERABILITY			SETTLEMENT		
		Bespoke	Centralized	Hybrid	Real-Time Gross Settlement	Deferred Net Settlement	Hybrid Settlement
DIMENSIONS	Speed	↘	↗	↗	↗	↘	↔
	Cost	↘	↗	↗	↘	↗	↔
	Ubiquity	↔	↔	↗			
	Transparency	↘	↗	↗	↗	↔	↗
	Risk	↔	↔	↗	↗	↔	↔



# Central Bank Digital Currencies and their effect on border faster payments

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## How we arrived here:

- The Work Group looked at industry initiatives impacting cross-border faster payments
- According to the International Monetary Fund (IMF) as of early February 2022 there are around 100 countries that are exploring Central Bank Digital Currencies (CBDC's) at one level or another
- Recent industry announcements including on from the Federal Reserve all point to the potential of CBDC's
- Recent articles note CBDC's may result in a cross-border system that looks very different than the current real-time gross settlement (RTGS) linked systems. The underlying settlement layer of cross-border payment systems could change significantly and change the role of banks that currently deal with clearing and settlement.
- Based on this information, the Work Group decided to move forward with CBDC's and their impact on cross-border faster payments as its next body of work.





# Central Bank Digital Currencies and their effect on border faster payments

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Before we get started some definitions courtesy of Investopedia

- Fiat Currency - Fiat money is a currency issued by a country's government. Traditionally, these come in the form of banknotes and coins.
- Digital Currency – Digital currency is a form of currency that is available only in digital or electronic form. It is also called digital money, electronic money, electronic currency, or cybercash.
- Crypto Currency - A cryptocurrency is a digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. They are not issued by any central authority, rendering them theoretically immune to government interference or manipulation.
- Stablecoin - A stablecoin is a class of crypto currencies that attempt to offer price stability and are backed by a reserve currency asset. They may be pegged to a currency like the U.S. dollar or to a commodity's price such as gold.
- CBDC - A central bank digital currency is the digital form of a country's fiat currency. A CBDC is issued and regulated by a nation's monetary authority or central bank



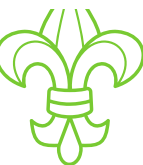
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## How we are pivoting....

The Group's work will be done in phases with each phase building off the review and findings of the previous phase(s) through incremental industry updates.

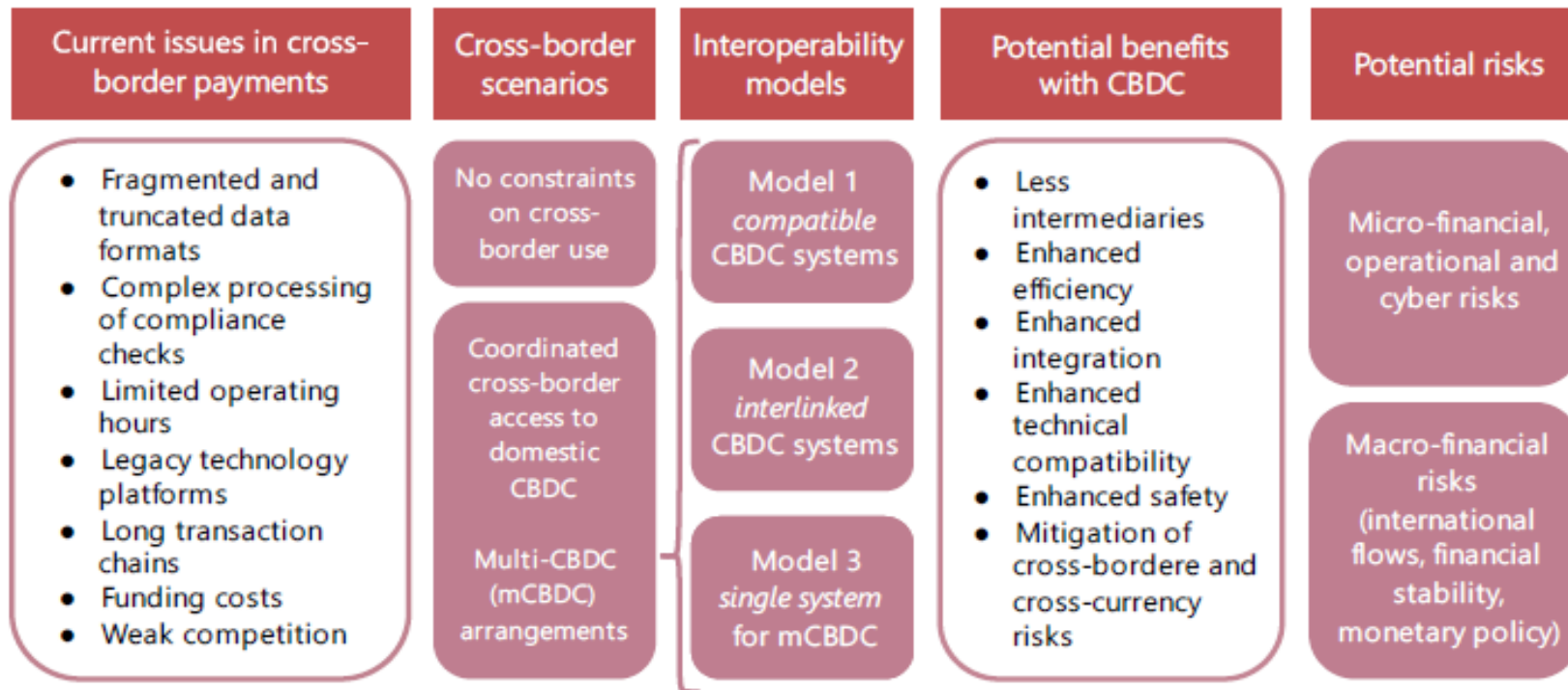
1. Review the current and emerging cross-border faster payment initiatives especially Central Bank Digital Currency (CBDC) models.
  - a. Review the current CBDC studies and industry papers by the Bank for International Settlements (BIS), the International Monetary Fund (IMF), the World Bank, the Federal Reserve Bank and The Clearing House.
  - b. Identify areas of commonality and divergence in the different CBDC models and initiatives.
  - c. Identify the opportunities and concerns posed by CBDC's models being proposed and implemented.
2. Provide recommendations to the FPC community on how to continually monitor new initiatives in cross-border faster payments space such as CBDCs.
3. First issue is being planned for April 2022 and will be a CBDC primer



# Central Bank Digital Currencies and their effect on cross-border faster payments

Summary of the potential to enhance cross-border payments with CBDCs

Graph 1



Source: CPMI; BIS Innovation Hub; IMF; World Bank.

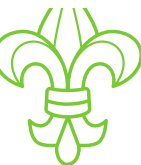


# Central Bank Digital Currencies and their effect on cross-border faster payments

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## Where we are going:

- First Issue – A CBDC Primer
  - What are CBDCs?
  - Summary on the state of industry
  - Definition of today's correspondent banking model compared to CBDCs
  - What are the Benefits & Risks over today's model for cross-border faster payments?
  - Why is this important to the US Faster Payments Council membership?
- Be the go-to resource for CBDC's and other industry cross-border faster payment initiatives.
- Keep abreast of all the new developments, industry initiatives and publications in the cross-border faster payment and CBDC space.
- Publish a periodic member bulletin initially focused on CBDC's impact on cross-border faster payments
- Each quarterly issue will focus on a topic that is relevant/timely to a specific impact area – regulatory, technology, clearing and settlement, etc. as they apply to and impact cross-border faster payments



# FPC Member discussion

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- Do CBDCs have the potential to enhance the efficiency of cross-border faster payments?
- Will CBDC's alter traditional correspondent banking as we know it today?
- What do you see as the great benefits/drawbacks to the implementation CBDC's?



# FPC Member discussion

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We Need You

- Bulletin will be released to members first
- We welcome your feedback before we release it to the public
- To provide ideas and suggestions for future bulletins
- Consider joining the Cross-Border Payments Work Group



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