

Bridging Borders

Exploring Cross-border Payment Dynamics

April 2024



Cross border payment...

...refers to any transaction in which the payer and the payee are located in different countries.

These transactions can occur between:

- **Business-To-Business**
- **Business-To-Peer**
- **Peer-To-Business**
- **Peer-To-Peer, Individuals or businesses**



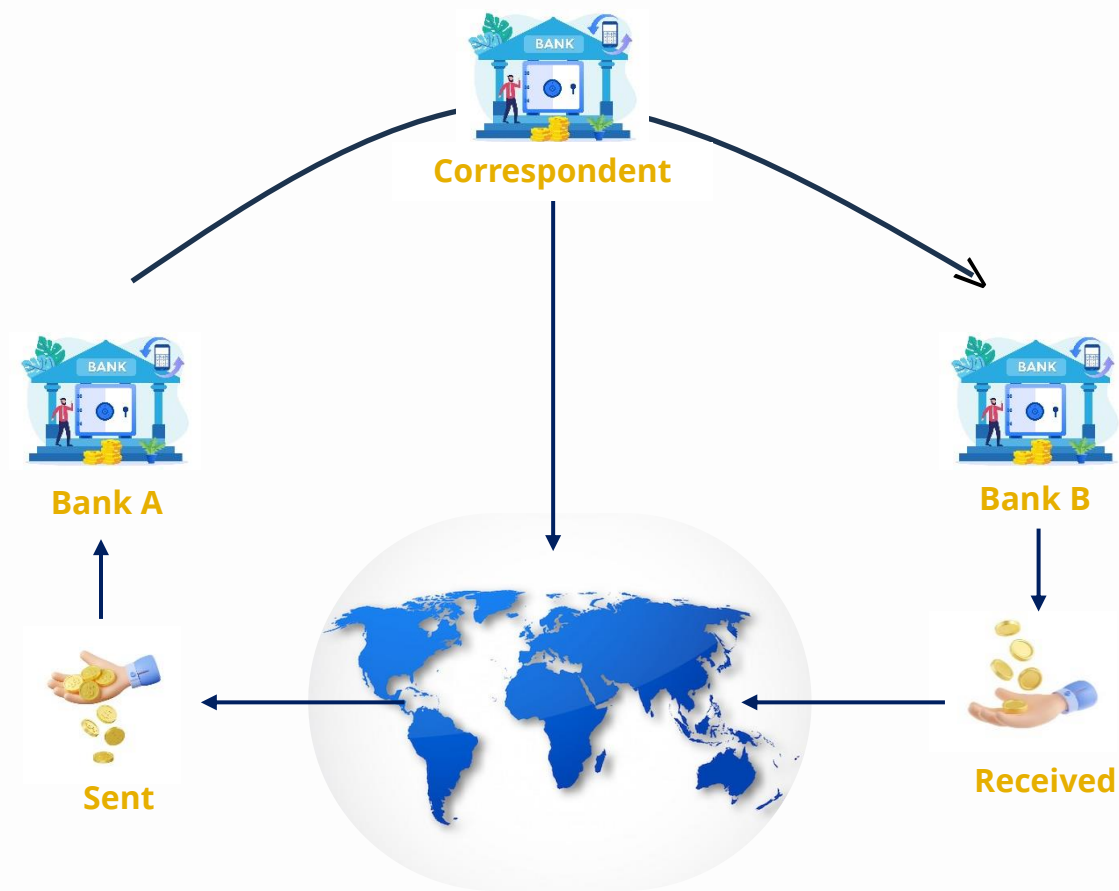
...which can be executed via

A simple cross-border payment using accounts held at each bank



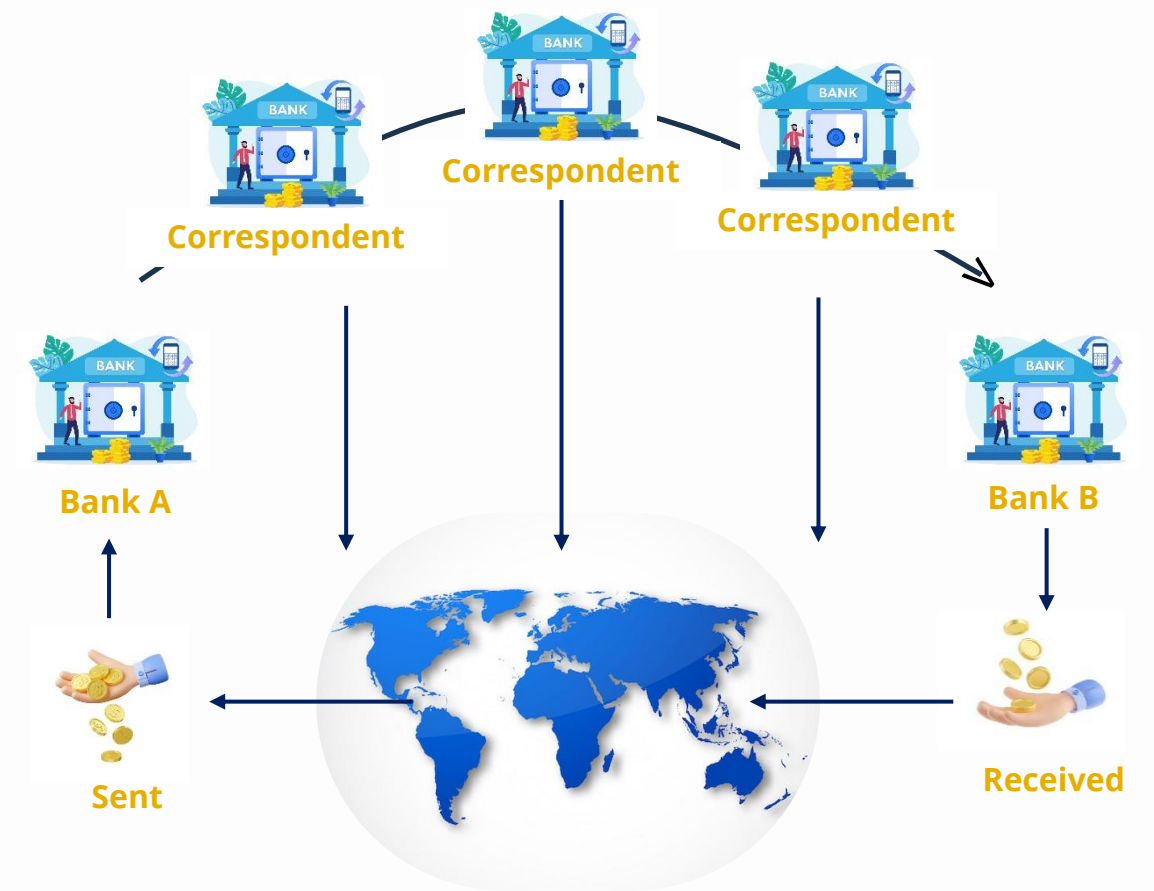
A payment message sends an instruction to debit an account in Bank A and credit an account in Bank B.

A cross-border payment using a correspondent bank



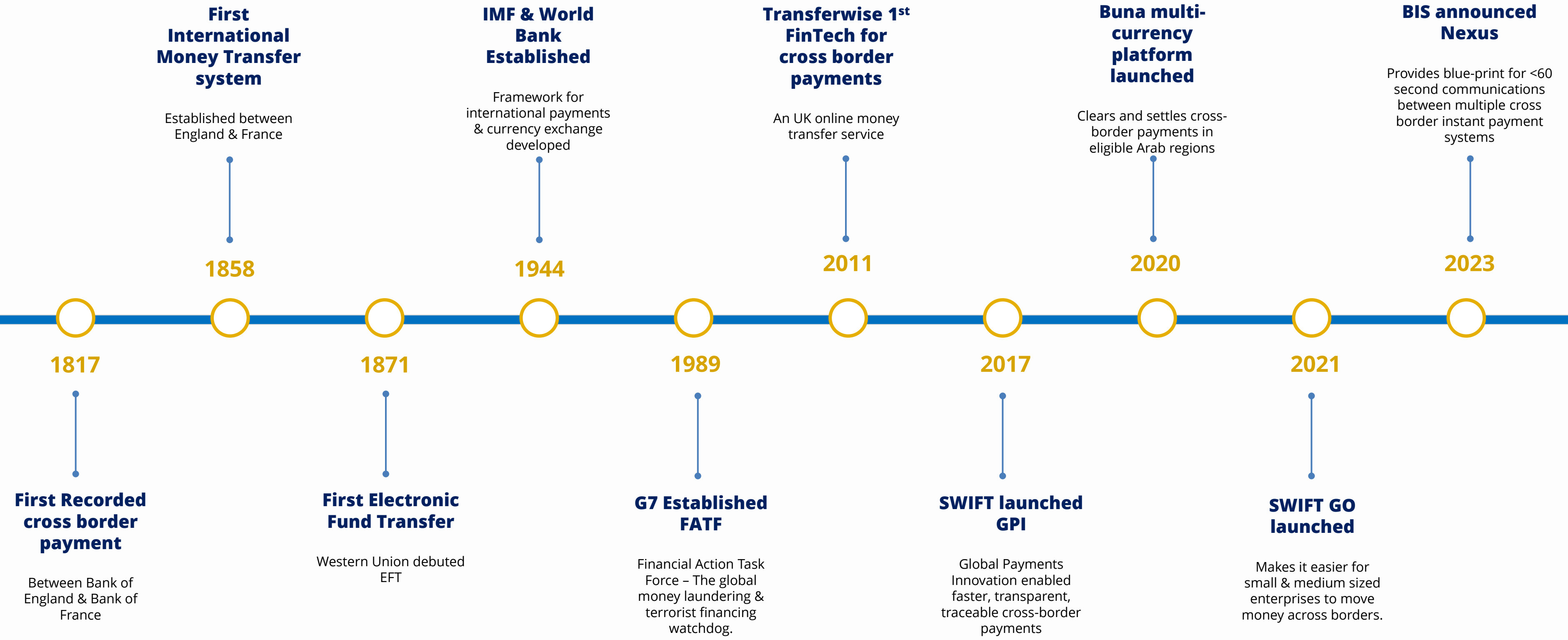
Bank A and Bank B do not have accounts with each other so they use a bank where they both hold accounts — the correspondent bank.

Cross-border payment using the correspondent-banking network



The less common the currency pair, the more correspondent banks will be required to make the payment, incurring costs and delays at each stage.

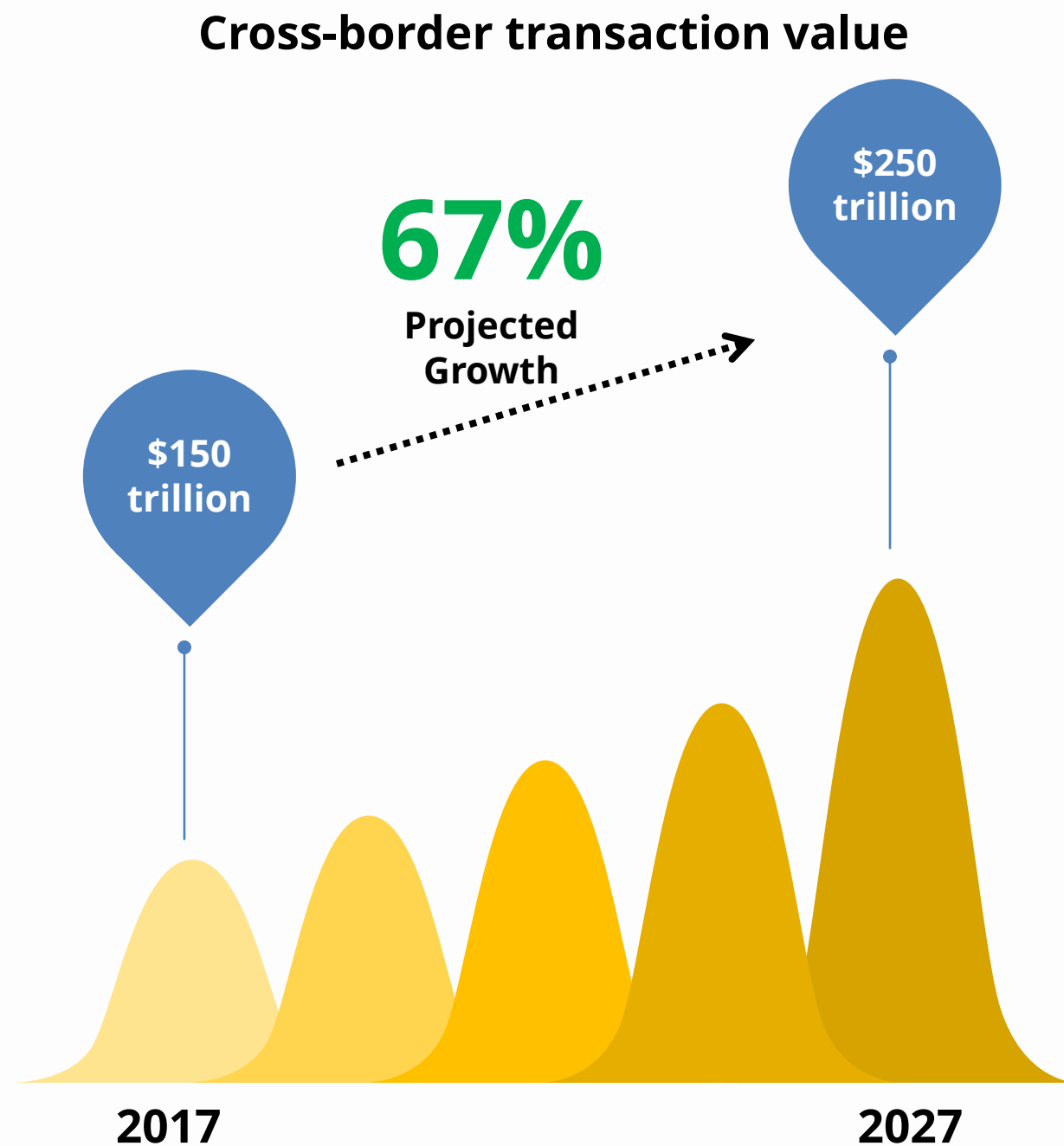
And has evolved significantly over time...



Source - [The Practicalities of Cross-Border Payments in a Faster Payments World Jan 2024](#)

...indicating an exponential growth ahead

Over the past few decades, the increased international mobility of goods and services, capital and people has contributed to the growing economic importance of cross-border payments.



Factors shaping cross-border payments:

- #1** Manufacturers expanding their supply chains across borders
- #2** Cross-border asset management and global investment flows
- #3** International trade and e-commerce
- #4** Migrants sending money via international remittances

Fueled by technological advancements that bridge global divides



#1

In 2017, Swift unveiled the **Global Payments Initiative**, enabling swift and secure fund transfers worldwide. Financial institutions now enjoy full transparency, tracking payments in real-time to any corner of the globe.

#2

In March of 2023 after a long and circuitous journey the **global rollout of the ISO 20022 payments** and message standard became a reality for SWIFT member banks.

#3

Central Bank Digital Currencies (CBDCs) represent digital fiat currency, issued and overseen by a nation's central bank. They revolutionize cross-border payments, offering speed, cost-effectiveness, and enhanced security compared to conventional methods.

#4

Application Programming Interfaces (APIs) are the backbone of seamless communication between applications. They empower data transfer, enabling efficient exchange of information and task execution.

#5

Distributed Ledger Technologies (DLT) is a type of technology that enables the **secure and transparent sharing** of data across a distributed network.

Also resulting in GCC experiencing a transformative uplift

Middle East is the fastest - growing real time payments market in the world, showcasing its tech adoption drive.

World Bank estimates GCC's 2021 outward remittances at USD 134 billion, the highest globally.



Cross-border payment developments and cooperations have transformed the remittance landscape in the GCC region in recent years:

AFAQ - GCC's unified payment system

Launched in December 2020 by the Gulf Payments Company, AFAQ **connects the payment systems of 6 central banks** of its member countries.

Buna - Arab Monetary Fund's cross-border payment platform

Buna empowers partners across the Arab region and beyond to conduct seamless transactions in local and major international currencies. Currently has a **network of over 100 participating financial institutions**.

Some cross border partnerships:

- Ripple and the Saudi Arabian Monetary Authority
- Travelex and UAE Exchange
- Tarabut Gateway and Visa et al
- Tranglo and Al Ansari et al

Cross-sector initiatives in action across region

Travel & Tourism

Dubai Duty Free leverages Alipay+ solutions



Alipay+ Makes Travel Payments More Accessible Across the UAE Ahead of Chinese New Year

Financial Services

NPCI to ink pact with UAE's AI Etihad Payments to facilitate cross-border transactions



UAE makes first cross-border payment using digital currency

Saudi Arabia's D360 Bank taps Thunes to power cross-border payments

Retail & eCommerce

ODN partners with Middle East-based Channel Engine for the GCC e-commerce market



WeChat Pay now Accepted Across 5,000 UAE POS Terminals to Ease Payments for Chinese Visitors

Technology & Software

Astra Tech and Ant Group to launch first-of-its-kind Alipay+ cross-border digital payments solution in the UAE



Healthcare

Medical Tourism: From Luxury Hues to Surgery Suites



Revolutionizing Health Care: Saudi Arabia's Digital Health Transformation

However, there are challenges to be mitigated

#1 Regulatory Compliance

Cross-border payments & correspondent banking, face regulations such as AML and KYC laws.

#2 Security Risks

Involve transmitting sensitive financial information across-borders, which can be vulnerable to fraud and other security risks.

#3 Foreign Exchange Rate Risk

Exchange rate fluctuations can have a significant impact on the cost of cross-border payments.

#4 High costs

Cross-border payments often incur high costs, including currency exchange fees, intermediary charges, and regulatory expenses.

#5 Inter Operability

Cross-border payments interoperability requires collaboration between payment systems, market infrastructures, networks, and financial institutions.

#6 Rise of Fintech Players

Multiple players have entered the field, including many Fintechs, crowding the market with competitive offerings.



Which can be addressed by identifying the opportunities across sectors

Financial Services

Create **innovative** cross-border payment solutions by **offering premium features** like same-day transfers, dedicated account managers, and currency hedging for an extra subscription fee or as add-ons

Travel & Tourism

Enhance customer experience for hospitality business with **multi-currency acceptance** and dynamic currency conversion. Tailor **cross-border payments and loyalty programs** to attract and retain international customers, driving repeat business.

Retailers & Merchants

Accept cross-border **payments via integrated gateways** supporting international transactions. Localized payment methods and currencies enhance the shopping experience and boost international sales.

eCommerce

By offering **diverse payment options and currencies**, businesses can attract international customers and broaden their market. Features like **real-time currency conversion and transparent pricing** can further boost business.

Healthcare

By accepting cross-border **payments in various currencies**, healthcare facilities can streamline transactions for global patients. Transparent pricing, flexible payment options, and insurance can help attract medical tourists worldwide.

Technology and Software

Enter cross-border payment arena by **integrating payment features into software platforms and digital products**. Utilize APIs and partnerships with PSPs to offer diverse payment options and currencies to a global clientele.



How can 4SiGHT help answer the key questions

We at 4SiGHT can help you identify the target market and help you make informed decisions by providing valuable information about market trends, customer preferences, competitive landscape, and other relevant factors.

Below 4SiGHT solutions can help customize & build these insights for you:

- # Usage & Attitude
- # Pricing research
- # Needs & Expectations
- # Channel dynamics

Our Research Tools

Insight Express

Enables swift and efficient innovation testing, minimizing the risks linked to a comprehensive launch – allowing you to explore, experiment and fail cheap.

AASMA | Chatbot

Facilitates interactive conversations with consumers, streamlining the process of filling consumption/usage diaries. Leading to improved efficiency & quality of data collection.

Sprint+

Provides an innovative boost to your iterative process by making it more AGILE through co-creation workshops, giving wings to potential ideas/improvements.



Our 4SiGHT Live Suite



Panel UAE | KSA

Our pre-recruited ahead-of-the-curve panel for quick, cost-efficient research needs, offering a window into live data.



Communities

Designed to build an agile system to conduct research while keeping the customer at the heart of the business. Enables clients to make customer relevant decisions by testing on the go.



Consumer Connects

4SiGHT's solution to curate and build a customized calendar of immersive interviews for client teams to get the pulse of the customer. Available as ad-hoc & annual programs.

4SiGHT Calendar



March 24

Digital Horizons:

Industry Evolution in the Era
of Transformation



April 24

Bridging Borders:

Exploring Cross-Border
Payment Dynamics



May 24

Banking in the Age of Social:

Connecting Communities,
Empowering Customers

THANK YOU!

For more information, please contact or visit us!



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