1. **Introduction**

Cross-border payments take many forms, from traditional wire transfers and closed-loop systems (like Western Union and MoneyGram) to modern, disaggregated peer-to-peer transfer systems based on block-chain technology.

Our panel begins today with an introduction to some of the methods and systems used today to effect cross-border payments.

- Transfers in Open-Loop Systems (e.g., bank-initiated wire transfers and ACH transactions that rely on correspondent banking relationships)
- Closed-loop Proprietary Systems (e.g., Western Union, MoneyGram and payment card networks (like Visa and Mastercard))
- Interlinking of Domestic Payment Systems (e.g., FedGlobal ACH)
- Virtual currency (e.g., Bitcoin) and Distributed Ledger Systems that leverage direct, peer-to-peer systems without numerous intermediaries

2. **Discussion of How Cross-Border Payment Capabilities Have Evolved**

In a February 2018 report on cross-border retail payments by the Committee on Payments and Market Infrastructures (CPMI) of the Bank for International Settlements (BIS), the CPMI described the general perception of cross-border payments as being that such transactions are “slower, costlier and more opaque than domestic payments.”

The CPMI attributes some of the challenges faced in cross-border payments to the fact that innovation and competition have, to date, been largely focused on the front-end part of the payment market (i.e., the technology interfaces controlling the end-user experience) with much more limited growth in the back-end payment infrastructures actually used to clear and settle those payments (which, the CPMI notes still, relies heavily on correspondent banking arrangements).

The CPMI provides the following diagram to graphically depict the findings of its study about the current status of back-end (clearing and settlement) solutions in the cross-border payments marketplace:
Stylised overview of back-end cross border payment arrangements

Figure 4

Country A

Correspondent Banking Model

Payer Country A → Payment Correspondent Infrastructure → Correspondent Bank → Payee Country B

Closed-loop Model

Payer Country A → Correspondent Bank → Payee Country B

Interlinking Model

Payer Country A → Payment Infrastructure → Correspondent Bank → Payee Country B

Peer-to-peer Model

Payer Country A → Peer-to-peer Infrastructure → Payee Country B
3. **Legal Hurdles Frequently are Cited as Presenting Much Greater Challenges in Cross-Border Payments than in Domestic Payments.**

Some of the legal challenges providers of cross-border payments face, in particular, include:

- Money laundering and terrorist financing concerns
- Currency controls designed to prohibit or restrict the use of foreign or domestic currency that can be transferred or purchased
- Different regimes/standards for end-user protection between sending and receiving jurisdictions (e.g., Remittance Transfer Rule in the U.S., licensing requirements (e.g., money transmitters/money services businesses in the U.S., electronic money institutions in the EU and payment business permitting for entities in China)

Panelists will discuss these and other legal and regulatory challenges to cross-border payments.

4. **Do You See the Obstacles to Fast, Efficient and Transparent Cross-Border Payments Ameliorating Any Time Soon?**

- Will adoption of faster payments in the United States increase access to and utility of cross-border payments?
- Some countries have see heavy government involvement in cross-border payments initiatives while others have relied more heavily on private enterprise. Is one strategy more effective than the other?
- Are there other changes on the horizon that may improve the cross-border payments experience?

5. **Blockchain/Distributed Ledger Technology Receives Much Attention for its Potential to Improve Cross-Border Payments. Is The Hype Justified?**

The Federal Reserve Board, in its 2016 paper titled “Distributed ledger technology in payments, clearing and settlement,” described cross-border payments as “slow, indirect and expensive” transactions that often “convert funds from bank to bank through a series of correspondent banking relationships, often with an assessment of multiple fees.”

In the same paper, the Federal Reserve notes that the use of distributed ledger technology could “reduce the number of intermediaries needed to effect cross-border payments,” thereby supporting “a more transparent and efficient cost structure.”

- Is the promise of distributed ledger technology, coupled with digital currency, for cross-border payments over-hyped? It does seem to solve problems related to transaction processing by multiple intermediaries as well as currency conversion issues.
• Are there other technological innovations on the horizon that could accomplish a giant leap forward in cross-border payments or are improvements likely to be more incremental?