



Faster Payments Slow To Arrive for Cross-Border Transactions

payments international faster payments international payments

Summary: The need for speed has become a central goal for cross-border payments. Smaller businesses stand to benefit from improvements. We discuss how cross-border payments can be used to encourage customer loyalty.

In early November, the Smithsonian National Zoo [returned its three pandas to Beijing](#). The pandas were on loan to the zoo from the China Wildlife Conservation Society due to a decades-long partnership, and this particular contract finally expired. This type of arrangement is sometimes referred to as “animal diplomacy”, where countries will gift or loan animals to zoos or other world leaders to strengthen the countries’ relationship with one another.

In the world of finance, diplomacy and cooperation can take on the form of international payment processing such as cross-border payments. But much like how logistically difficult it can be to move three large pandas across the world (they require their own custom aircraft and an expert animal care team), cross-border payments can be hindered or slowed by a number of factors.

Reasons for Slow Payments

The need for speed is vital for businesses. In the age of real-time payments and instant fund access, however, cross-border payments have not quite achieved the speed that businesses are accustomed to with domestic payments. Most of the push toward faster payments has revolved around transactions within a country, leaving businesses to deal with the friction of the cross-border payment process.

A study conducted by PYMNTS found that it took [a month on average](#) for a US business to receive a cross-border payment. That delay can be a drag on cash flow, particularly for small businesses that have tight margins. Lots of kinks play a role: regulatory issues, data glitches, slow processing that is often done manually, and high transaction costs.

The Growth of Cross-Border Payments

Despite the setbacks of outdated processes and regulatory issues, cross-border payments are experiencing an explosion of growth due to the sheer potential of international business. A McKinsey report noted that cross-border payments have grown from [300B transactions in 2010](#) to nearly 600B by 2022. According to PYMNTS, the cross-border market reached \$35T in 2022.

On the domestic side, speedier payments are made possible by a network of governance and infrastructure that works behind the scenes to smooth and accelerate the payment process. What’s lacking internationally is a uniform system for processing and clearing these cross-border transactions. That fragmentation is being researched and worked on, with new developments being rolled out to make international payments easier to track and clear, meaning faster processing.

The potential rewards for community financial institutions (CFIs), particularly from their small business customers, makes it worthwhile to explore fast cross-border payments.

Overcoming Cross-Border Challenges To Build Customer Loyalty

As we mentioned earlier this year, faster and more efficient cross-border payments can win customer loyalty, especially when more small- and medium-sized businesses (SMBs) are increasing their international business. These SMBs are often CFI customers and might be hungry for instant payment solutions that are secure and fast.

For domestic CFIs, some of the challenges in the cross-border payments space could include Anti-Money Laundering (AML) regulation compliance and managing the digitization process required to enhance cross-border capabilities.

As those in the financial industry know, keeping a close eye on AML compliance is time-consuming and complex just for transactions that take place on US soil. Adding an overseas element raises the level of complexity, and that can be particularly challenging for CFIs, especially when competing with larger, more sophisticated financial institutions in this area. A lack in technical resources can also be a hindrance when it comes to quickly handling digital payments.

With the partnership of a correspondent financial institution, however, a suite of international services can be at a CFI's fingertips, making a smaller institution more than capable of competing in cross-border payments. This, in turn, opens their SMB customers to a worldwide market, allowing them to grow through global ecommerce. SMBs being able to easily make cross-border payments can also mean access to more suppliers and vendors who may be able to provide goods faster or at a lower price point than local suppliers, increasing the SMB's profits.

Services like cross-border payments can also be crucial to SMBs in rural or remote areas that have few bank branches to choose from. In those cases, being the first CFI to ease the process of cross-border payments could mean a major boom in business or increased loyalty with the business customers you already have.

The Search for Solutions

There are also multiple efforts occurring to speed up cross-border payment processing. Several [pilot programs](#) involving two or more countries are underway to find ways around bottlenecks. One close to us is Project Jasper, launched by the Bank of Canada, which involved testing payments with the Bank of England and the Monetary Authority of Singapore.

Another step in the right direction is an initiative from the International Monetary Fund (IMF) to create and govern platforms designed to improve cross-border payments — improvements that will provide more efficient, safer, cost-effective, and standardized cross-border payment processing.

But there is still a long way to go. At a recent [roundtable discussion](#) on speeding up cross-border payments, experts from several countries cited many of the same concerns about friction and delays, but noted the rising demand for swift cross-border payments. One of the driving forces is the continued expansion of e-commerce across borders, which SMB customers are no doubt striving for, as well.

Rising demand for cross-border payments is spurring a drive to speed up a clunky process saddled with long delays. Small businesses would benefit from a better cross-border payment experience, and CFIs can help them achieve that by tapping into international services that are constantly evolving along with the advancements in cross-border payments.

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ECONOMY & RATES

Rates As Of: 12/18/2023 06:14AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.44	-0.01	1.02
6M	5.33	-0.05	0.57
1Y	4.92	-0.21	0.21
2Y	4.42	-0.26	0.00
5Y	3.93	-0.34	-0.07
10Y	3.95	-0.38	0.07
30Y	4.06	-0.43	0.10
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.32	8.50	5.32	

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