Bottomline

Accelerating Cross-Border Payments in Asia Pacific

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THE LAY OF THE LAND

After eleven years of continuous revenue growth, the global payments industry saw a 5 per cent decline in 2020, driven by the Covid-19 pandemic and subsequent economic slowdown[1]. However, despite a substantial decline in international travel and significant global supply chain challenges, the cross-border space remained resilient, with **McKinsey and Company projecting a 6 per cent growth in total cross-border payments revenue in the next five years**[2].

Asia Pacific is primed for cross-border growth and the sector is filled with opportunities in 2022 whilst also facing intensified competition. Rapid infrastructure developments and emerging technologies coupled with the Covid-19 pandemic have accelerated digital adoption across the region.

Industry-wide initiatives, most notably the migration to ISO 20022, aim to further improve the efficiency and security of cross-border payments, with many banks already adopting ISO 20022 across all their core payment infrastructures.

A global report "The Future of Competitive Advantage in Banking & Payments" identified 'updating cross-border payments strategy' as a top priority when it comes to payments over the next 12 months. New industry players, accelerated digital transformation and global initiatives are driving competition in the cross-border payments space, and your organisation's cross-border strategy should indeed be a priority. **Those not adapting their strategies will be rapidly left behind.**

'40% of financial institutions identified 'updating cross-border payments strategy' as a top priority when it comes to payments over the next 12 months' [3]

[1]Global Payments 2021: Transformation amid turbulent undercurrents, McKinsey & Company, Oct 2021

[2]The 2021 McKinsey Global Payments Report, McKinsey & Company, Oct 2021

[3]The Future of Competitive Advantage in Banking & Payments, Sept 2021

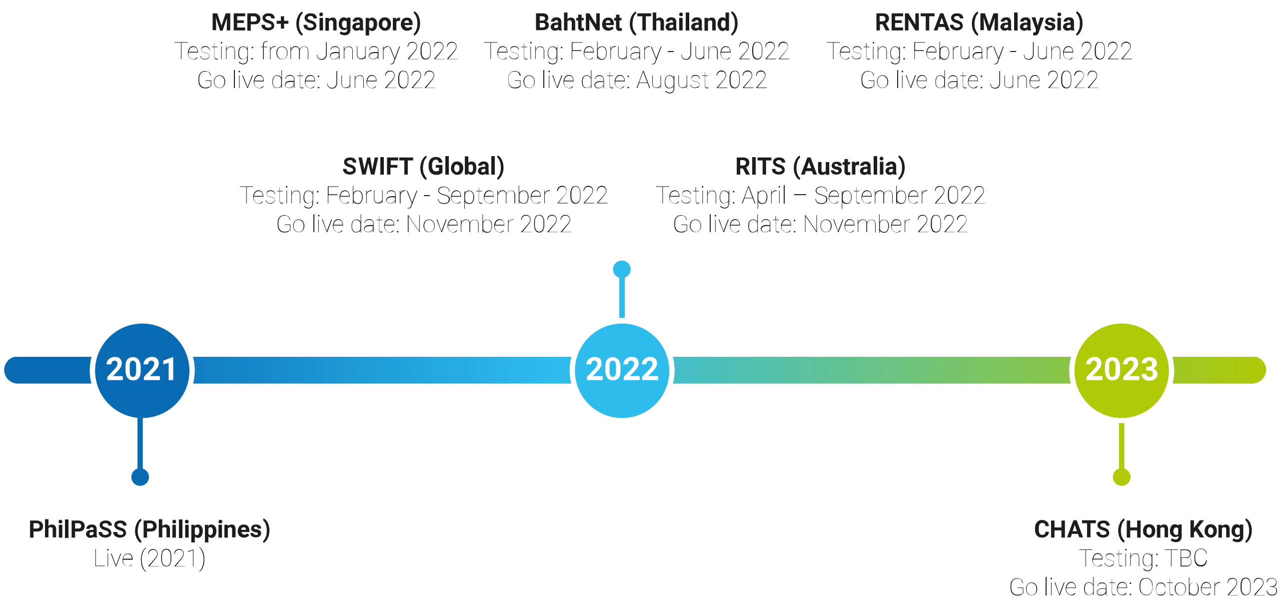
KEY TRENDS SHAPING CROSS-BORDER PAYMENTS

The migration to ISO 20022

Banks in Asia Pacific are migrating to ISO 20022 for all their payments infrastructures, including SWIFT, PhilPaSS (2021), MEPS+, BahtNet, RENTAS & RITS (2022) and CHATS (2023). The new messaging format provides **rich data with each transaction**, enabling everything from **enhanced analytics** to **status tracking**, **sanction checking** and **automated invoice reconciliation** – all whilst delivering an improved experience for end customers.

This adoption is a catalyst and an enabler for the introduction of new payments rails, complementary to the correspondent banking model, and provides the vital 100% interoperability between different cross-border payment models and platforms. The messaging standard will be a key driver of faster cross-border payments, and as more financial institutions migrate to ISO 20022, we can expect to see the speed of domestic real-time payments experienced on an international scale.

However, whilst the rollout of ISO 20022 globally is set to significantly improve the efficiency and reliability of cross-border payments, it is not the only answer to the frictions and pain points currently being felt.



Increased collaboration within the region

The vision of a real-time cross-border payments system in Asia Pacific is becoming a reality as we see more collaboration between governments, central banks and financial institutions across the region. New domestic payment rails and the enhancement of existing ones focus on improving the interoperability of payments between countries in APAC and establishing cross-border links. In 2021, we saw the announcement of the Fintech Cooperation Agreement between Singapore and the Philippines to enable seamless, low-cost payments between the two countries, as well as the PayNow-PromptPay linkage between Singapore and Thailand. Malaysia and Thailand also announced the PromptPay-DuitNow linkage which, in its first stage, facilitates cross-border payments between the two countries via QR codes.

Digital payments in Southeast Asia are expected to triple to USD 1.5 Trillion by 2030[4]

ASEAN's booming mobile internet usage, coupled with the Covid-19 pandemic, has accelerated the adoption of e-wallets, contactless payments and QR code usage, causing digital payments to soar. In a recent report by HSBC, it was predicted that digital payments in Southeast Asia are expected to triple to $1.5 trillion by 2030. It's therefore not hard to see the value in a pan-regional payments system that allows consumers and financial institutions to benefit from seamless cross-border payments.

Fuelled by new technologies and new customer expectations, we are likely to see increased partnerships as the region strives for greater efficiency in cross-border payments. Collaboration is crucial and paves the way for instant and reliable international payments to become the norm.

[4]ASEAN payments go digital, HSBC, October 2020

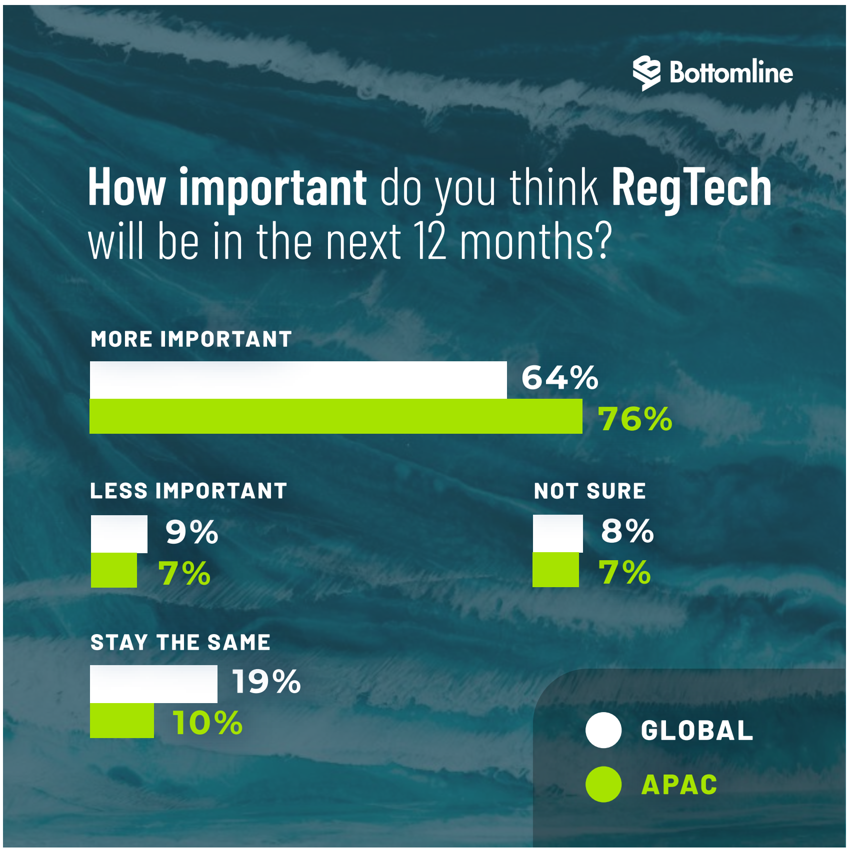
“In a recent report by HSBC, it was predicted that digital payments in Southeast Asia are expected to triple to $1.5 trillion by 2030.”

RegTech as a source of competitive advantage

Due to the varying stages of financial development, there are considerable differences in regulatory requirements and needs across Asia, evolving at different speeds. This can be problematic for cross-border payments, which is a regulation-filled area.

The dynamic regulatory environment, coupled with the rising costs associated with compliance and increased demand for instant payments have driven the uptake in RegTech. The pandemic has also accelerated the interest in RegTech due to the rising threat of fraud, with firms providing services for Anti-Money Laundering (AML), Know Your Customer (KYC) and payment fraud detection.

Innovations enable financial institutions to navigate the differences in regulations in Asia, streamline in-house processes, and reduce operational workload. Financial institutions see RegTech as more than a deadline for business continuity. They're seeing it as a driver for growth, fraud protection and a source of competitive advantage.



Leveraging SWIFT GPI to transform cross-border payments

The SWIFT Global Payment Initiative (GPI) improves the efficiency of cross-border payments, enables end to end tracking and provides confirmation of payment to the recipient's account. This has revolutionised cross-border payments and allowed 92% of payments to be credited to the beneficiary's account within 24 hours and 40% within just 30 minutes. SWIFT GPI ensures international payments meet the industry's need for speed and reliability whilst allowing banks to provide customers with an improved payments experience.

Over 4,200 financial institutions signed up to SWIFT GPI as of February 2022. And more than 1,800 GPI members are 'live' with GPI credit transfers covering 151 of the world's 180 currencies. Every day 1 million cross-border payments worth $493bn are sent over GPI across 2940+ country corridors. Since the launch of SWIFT GPI in 2017, there has been a steady adoption rate amongst banks in APAC due to the prevalence of exotic currencies and complicated corresponding banking relationships. In Asia-Pacific, for example, the cost of frozen liquidity in Nostro accounts and other fees dock the average bank for US$1.7 million a year.

SWIFT GPI has enabled 92% of cross-border payments to be credited to the beneficiary's account within 24 hours.

Accordingly, in late 2021 we introduced an API-based payment tracking service for banks worldwide, integrating SWIFT GPI data. Banks can now access the SWIFT APIs for GPI via the Bottomline API Gateway – single window, managed service – for easier and faster implementation.

HOW CAN YOU MAXIMISE YOUR CROSS-BORDER PAYMENT OPPORTUNITIES?

Accessing multiple payments infrastructures carries heavy overhead, resulting in increased operating costs, technical complexity and duplication of processes. Controlling accurate transaction settlements in various formats from multiple counterparties can be difficult and time-consuming, with regulatory compliance obligations presenting further operational challenges. Such fragmented environments are also more difficult to secure and more vulnerable to the increasing threat of fraud.

However, innovative technology products are available to address these challenges for corporates, banks, financial institutions, and governmental organisations. They are built specifically for connectivity by providing a seamless, single access point to multiple payment networks, systems, and infrastructures. The extent of configuration and flexibility within these solutions is critical when it comes to back-office integration, as is compliance with global technical and regulatory requirements. At the heart of any market-leading aggregation solution is the ability to access a range of international networks with the ability to handle message format changes, new payment schemes, and technological developments, to name a few. When sourcing a solution to help future-proof your business and accelerate cross-border payments, these are all essential factors to consider.

It goes without saying that the business case for updating your cross-border strategy and staying ahead of your competition is clear. It's the perfect time to position your organisation as an innovator for cross-border payments while addressing your overall payments strategy for 2022 and beyond.

Bottomline is here to help create a cross-border strategy that best fits your financial institution. Find out more.

Connect, Comply, Compete with Bottomline Financial Messaging

Bottomline®

Connect with us

About Bottomline

Bottomline's Financial Messaging (FM) solutions are recognised and trusted by 600+ customers in 92 countries, across 6 continents for SaaS-enabled payments, securities, connectivity and messaging with a track record of success. FM connectivity solutions leverage multiple domestic & cross-border payment networks and schemes, including SWIFT, UK Faster Payments, RT1, TIPS, Bacs, Six, EBICS, Visa and others to enable our clients to deliver added value to their customers.

As one of the top SWIFT service bureaus globally, we serve 450+ customers, managing 15% of all international cross border traffic. Our global experience and expertise for financial messaging and ISO 20022 implementation includes message translation, validation, transformation, Intelligent routing, orchestration and integration.

In total, more than £10M of payments and transactions are processed daily by our Managed Services. Overall, our solutions allow financial institutions and corporations to achieve lower costs, speed to market, greater security and improved risk management, while avoiding the costly internal infrastructure and software updates for legacy on-premise solutions.

For more information, visit **www.bottomline.com**

Corporate Headquarters
325 Corporate Drive
Portsmouth, NH 03801
United States of America

Phone: +1-603-436-0700
Toll-free: +1-800-243-2528
Fax: +1-603-436-0300
info@bottomline.com

Europe, Middle East, Africa Headquarters
1600 Arlington Business Park
Theale, Reading, Berkshire RG7 4SA
United Kingdom

Tel (Local): 0870-081-8250
Tel (Int): +44-118-925-8250
Fax: +44-118-982-2253
emea-info@bottomline.com

Asia Pacific Headquarters
60 Robinson Road
#15-01 BEA Building
Singapore 068892

Tel: +65 6508 8088
apac-sgp-enquiry@bottomline.com