A Nirvana for Cross-Border Payments: Does It Exist?

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I recently purchased a couple of tickets with friends for the 2023 Rugby World Cup in France. Although my customer user-journey was relatively standard (some readers might recall queuing virtually for hours however), the purchase did provide me with a very sharp reminder of some of the inherent flaws still in existence when settling cross-border payments, especially those that necessitate a foreign exchange conversion. The original price paid for the tickets was a fixed Euro sum, however, as a Sterling-domiciled account holder the payment platform failed to disclose at which rate the transaction would be dealt at, nor the total GBP figure to be debited from my account. Only after the transaction had cleared, plus a best-effort attempt at benchmarking the rate against the historical price on Reuters was I able to determine the extent of the spread. To add insult to injury, an additional FX conversion fee arrived a couple of days later – the total charge incurred ranged between 4-5% of the initial sum.

Opaque pricing and hidden fees are only a handful of the pain points still inherent to cross border payments, and they are not only specific to retail orders. The correspondent banking system has historically propped up this space, and continues to remain a steady force for good, despite the challenges present in the existing model, such as speed and the requirement satisfaction of a variety of domestic payment systems. The network achieves economies of scale for businesses and consumers alike, as market incumbents can offer their customers with deep liquidity and access to a vast number of end-destinations and local settlement rails; players who cannot justify a local presence themselves opt to partner with global providers to fill in any of their 'missing gaps'. The advent of blockchain technology and the concept of central bank digital currencies (CBDCs), may in theory, bring about a radical change in this modus operandi. However, we can still only speculate on the real impact that such an advent in technology will achieve. In comparison, StoneX's Global Payments network has already overcome some of the traditional obstacles present to correspondent banking and has answers to parts of the CBDC puzzle that the digital mission intends to solve. With access to deep liquidity and genuine local market prices, StoneX has valuable experience acting as a market maker to a variety of customer-types, including the great and good of the aid & development community and major global financial institutions. This comes in the form of a real-time, guaranteed exchanged rate in 140 countries for local delivery in approximately 180 countries. Moreover, payments sent via StoneX come with principal protection included, providing customers with an ACH-lookalike service, even in some of the less developed local market infrastructures (where charges and fees are commonplace). No fees. No deductions. Payments arrive whole on delivery date according to the contracted FX rate in local currency. This pay-per-use model enables network participants to eliminate unnecessary FX risks and simultaneously reduce and fix their costs.

Accompanying growing rhetoric to digitise the payment-journey experience, institutions increasingly value key essential product features such as transparency, traceability and execution when evaluating their cross-border payment service providers. However, one should not lose sight of the fact that business-to-business (B2B) cross-border transactions still often require additional documentation, details and checks to meet central bank reporting standards, etc. Moreover, the requirements of a variety of different payment systems and AML checks must also be satisfied too. This is of paramount importance in the Brazilian market, where reporting obligations and compliance with onshore FX regulations are typically held to a standard that mandate additional information and details from those sending and receiving funds. Through INTL FCStone Banco de Cambio (https://payments.stonex.com/payments-to-brazil.html), StoneX's local FX Bank, StoneX is able to minimise the traditional hardships of correspondent banking by easing the payment process into Brazil and a number of other challenging-to-deliver-to jurisdictions. Via a single API, financial institutions can access a range of functions that go beyond standard provision of real-time, transparent, genuine local market pricing and FX payment execution. Additional StoneX API features include payment status reporting, beneficiary registration statuses, currency requirements and finally, payment order confirmations and reconciliation reports. In the case of Brazil, the typical StoneX payment-journey experience is supplemented by a pool of local specialists responsible for assisting corporate beneficiaries with their inbound and outbound transactions.

StoneX plans to launch a similar FX banking service in Colombia.

If you have any questions or comments, email me at fergus.wills@stonex.com.