

June 15, 2022

Financial Stability Board  
c/o Secretariat to the Financial Stability Board  
Bank for International Settlements  
Centralbahnplatz 2  
CH-4002 Basel  
SWITZERLAND

*By email: [fsb@fsb.org](mailto:fsb@fsb.org)*

*Re: G20 Roadmap for Enhancing Cross-Border Payments*

To the Secretariat to the Financial Stability Board:

The Clearing House Payments Company L.L.C. (“TCH”)<sup>1</sup> is pleased to acknowledge the progress made to date on the G20 Roadmap for Enhancing Cross-Border Payments as described in your October 2021 progress report and looks forward to additional progress this year.<sup>2</sup> TCH agrees with the statement in the report that “[t]he success of this work will depend heavily on the commitment of public authorities and the private sector, working together.”<sup>3</sup> As we have previously stated, TCH is very supportive of the overall G20 effort and has been actively pursuing opportunities to contribute to its success.<sup>4</sup> At the same time, TCH continues to believe it is crucial for public authorities to focus on how the application of economic sanctions screening, as well as anti–money-laundering and countering the financing of terrorism

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<sup>1</sup> TCH owns and operates core payments system infrastructure in the United States, including CHIPS, which has been designated as a systematically important payment system, and the RTP network, the first 24/7 faster-payment system. The views expressed in this letter are those of TCH and do not necessarily reflect the views of the banks that own TCH.

<sup>2</sup> See Financial Stability Board, [G20 Roadmap for Enhancing Cross-Border Payments: First Consolidated Progress Report](#) (Oct. 13, 2021).

<sup>3</sup> *Id.* at 1.

<sup>4</sup> See Comment Letter from TCH to Financial Stability Board on Consultative Document “Targets for Addressing the Four Challenges of Cross-Border Payments” 1 (July 16, 2021). The IXB initiative, which TCH is leading, along with SWIFT and EBA Clearing, is one concrete example of how TCH is actively pursuing opportunities to facilitate faster, cheaper, more transparent cross-border payments. See Press Release, [The Clearing House, EBA CLEARING, SWIFT and The Clearing House to Deliver Pilot Service for Immediate Cross-Border Payments](#) (Apr. 28, 2022).

(“AML/CFT”) measures, remains a challenge to faster, cheaper, and more transparent cross-border payments.<sup>5</sup>

As we noted in our February 2021 comments to the Committee on Payments and Market Infrastructures (“CPMI”) survey on cross-border payments, TCH believes the greatest friction in cross-border payments stems from compliance obligations and supervisory expectations relating to economic sanctions, AML/CFT, and data protection. Indeed, TCH’s own work this year to bring to market faster cross-border payments by harnessing the capabilities and features of domestic instant payment systems has proven that, while technical investments and industry willingness can substantially improve cross-border payments, compliance-related obstacles loom large. These are obstacles that only the public sector can address, and they remain a key challenge to the speed, cost, and predictability of cross-border payments.

Economic sanctions screening, since it must be performed in real time and typically by each bank involved in a cross border-payment, particularly affects the speed of such payments. This is true for at least three main reasons. First, economic sanctions programs are often complex. It may be challenging for a bank to ascertain whether a “hit” in fact violates a sanction. Such a hit may also require the bank to pause the transaction while it obtains information from other institutions or their customers, which takes time, even though virtually all hits turn out to be false positives.<sup>6</sup> Second, because each bank involved in a cross-border payment typically has to screen transactions, these delays can mushroom, adding hours, if not days, to a cross-border payment. Third, screening capabilities vary across banks. While the largest, globally active banks typically have sophisticated screening systems that enable them to screen transactions quickly and with more exacting results, smaller institutions, including regional and community banks, may not have the same level of sophistication.

One means of tackling this friction would be for public authorities to expressly allow cross-border payments to be screened at fewer points. One possible approach, for example, would be to have the originator’s bank conduct screening against sanctions applicable in its country and the beneficiary’s bank conduct screening against sanctions in its country, leaving intermediary

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<sup>5</sup> This view is substantiated by subsequent work of staff at the International Monetary Fund (“IMF”) and World Bank on Building Block 7. See World Bank & International Monetary Fund, [A Draft Framework for Money Laundering/Terrorist Financing Risk Assessment of a Remittance Corridor](#) 6 (Sept. 2021). It was also highlighted by private-sector respondents to the Financial Action Task Force (“FATF”) survey on cross-border payments, as your October 2021 progress report indicated. See Financial Stability Board, *supra* note 2, at 11.

<sup>6</sup> Last year’s FATF survey on cross-border payments indicated that 5 percent of all cross-border transactions are subject to additional sanctions-related review, even though 99.9% of those reviews are ultimately closed as false positives. Financial Action Task Force, [Cross-Border Payments: Survey Results on Implementation of FATF Standards](#) 20–22 (Oct. 2021).

banks with an obligation to screen only if no other bank in its country had screened or would screen the payment message before the beneficiary is credited for the payment. An alternative approach to reduce friction would entail the establishment of a centralized sanctions-screening utility (or another sort of centralized capability) that would screen a payment message just once in the end-to-end transaction flow. This could result in a higher, more consistent standard of screening at a lower overall cost to the industry and, therefore, for customers.

For either of these approaches to be viable, however, financial institutions would need to be able to rely on the screening conducted by other banks in their same country or by the centralized utility. This would require public authorities to agree that such a risk-balanced approach to sanctions compliance is reasonable in light of the benefits of faster, cheaper, and more predictable cross-border payments. Regulatory guidance that expressly permits alternative sanctions compliance arrangements for cross-border payments would be imperative.

Furthermore, if one of the goals of the G20's efforts is to increase competition in cross-border merchant payments (and thereby lower costs and increase speed), public authorities will likely need to shift their expectations away from payment-by-payment compliance toward endpoint-based know-your-customer measures and other customer due diligence. This would help even the playing field with point-of-sale payments, which are not subject to the same level of scrutiny today. The same public-policy principles that allowed for lesser compliance expectations at the point of sale to facilitate immediate commerce should be considered in the context of innovative instant payment systems that likewise support immediate commerce.

Last, TCH believes the public sector should consider whether there are cross-border transactions whose amounts are sufficiently low (e.g., \$3,000 or less) such that it should be permissible for banks to immediately reject payments triggering a sanctions hit rather than pausing them in case they fall under a blocking program. A low transaction amount could also be the basis for reducing or waiving other high-friction compliance requirements, so long as all parties to the payment are identified in the payment message, transaction data is stored for future law enforcement use, and the transactions occur between jurisdictions with similar regulatory requirements or standards of care (i.e., within safe payment corridors). As the IMF/World Bank staff report points out, low-value transactions, such as remittances, are of limited utility to large-scale money-laundering operations.<sup>7</sup> Although that same report cautions that even small amounts of successful terrorist financing can have significant consequences, it also emphasizes that there are other important factors that affect the relative risk for a particular payment corridor (such as the terrorism context in the recipient country) and that lower-risk situations can be

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<sup>7</sup> See World Bank & International Monetary Fund, *supra* note 5, at 17.

identified.<sup>8</sup> We believe it is therefore reasonable to set a value threshold for cross-border transactions below which some degree of compliance relief is warranted. We urge public authorities to determine an appropriate amount through public consultation.

TCH believes that each of these measures would foster faster, cheaper, more transparent cross-border payments, consistent with the G20's objectives, while maintaining an appropriately risk-focused approach to compliance. Even as we value all the work the Financial Stability Board ("FSB") and CPMI have been doing to advance these objectives with the private sector, reducing compliance-related friction in cross-border payments—unlike other facets of the G20 work—is truly the province of the public sector and ought to be vigorously pursued. Indeed, the CPMI's stage 2 report to the G20 observed with respect to focus area B (coordinating regulatory, supervisory, and oversight frameworks):

Much of the focus for removing frictions in cross-border payments has typically been on technology and operations. However, it is important to note that divergent regulation, legislation, supervision and oversight frameworks across jurisdictions can limit the benefit that may be derived from such initiatives. . . . In advancing consistent, relevant international rules and standards and supporting their local transposition, the building blocks in this focus area can target frictions around complex compliance requirements and weak competition.<sup>9</sup>

We urge the FSB, working with other public-sector stakeholders, including the FATF and the Basel Committee on Banking Supervision, to prioritize progress in this critical focus area in its next work package.

Sincerely,

/s/ Russ Waterhouse

Russ Waterhouse  
Executive Vice President  
Product Development and Strategy

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<sup>8</sup> *See id.* at 26, 5.

<sup>9</sup> Committee on Payments and Market Infrastructures, [Enhancing Cross-Border Payments: Building Blocks of a Global Roadmap](#) 4 (July 2020).