



# Rethinking cross-border money movement for the digital era

As cross-border payments grow in response to rising e-commerce volumes and an increasingly mobile population, how we pay and move money between markets needs to keep pace.



**Luciana Mosoia, GM for Enterprise FX, Settlement, and Cross Border Solutions at Visa,** explains how new solutions will solve long-standing headaches in cross-border payments.

Whether you're a consumer, bank or fintech, no-one will have missed the dynamic changes we've seen over the last decade, from contactless payments through to innovative new payment solutions such as wearables, crypto and more.

Despite this torrent of creativity, cross-border payments remain mired in significant challenges for too many consumers and businesses. High fees, long settlement times, inefficient processes or a

lack of transparency and communication have all hampered expansion. And these problems prevail at a time of rapid growth: according to the Bank of England<sup>1</sup>, by 2027 cross-border payments will total \$250 trillion world-wide, up 40% since 2017.

As both consumers and corporate clients get used to smoother and faster domestic and online payment experiences, cross-border payments need to evolve to meet these expectations.



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## Cross-border: past, present and future

Thirty years ago, sending and receiving money across borders was cumbersome. They involved visiting a bank branch, authenticating with two forms of ID (usually passport and drivers' license) long settlement times and high transaction fees. Fast forward three decades, and while demand has risen, these problems are still in evidence. As the infographics below show, global cross-border remittances are set to grow to \$930 billion over the next two years<sup>2</sup>, while global ecommerce sales are expected to grow by a quarter next year alone.

At the same time, the rise of the gig economy means that workers engaged by overseas companies also want faster access to their money – and with 162 million people<sup>3</sup> in Europe and the US already involved in that economy, the long-standing challenges in cross-border payments need solving.

This is particularly true for banks: as they seek to defend and grow revenue and market share, banks should see the provision of faster and more transparent

cross-border payments as table stakes. Our internal analysis of transaction flows on Visa credentials shows<sup>4</sup> that accounts with fewer cross-border transactions are four times more likely to fall dormant, while account portfolios that increase or maintain high percentages of cross-border transactions grow faster than domestic-focused portfolios. Our research also suggests 89%<sup>5</sup> of cross-border account holders are more likely to use their bank's Visa card for payment compared to digital wallets or other solutions.

### Cross-border is a hugely lucrative and rapidly growing market



In 2017

**\$150T** spent globally cross-border, generating revenue of ~\$200B<sup>6</sup>



...by 2027

**\$250T** spent globally cross-border<sup>6</sup>



Although

**95%**<sup>7</sup> of global cross-border flows are B2B transactions, the complexity and unpredictability of these transactions for SMBs worldwide are astonishing

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### New use cases driving demand



#### 1. Remittances

Global remittance volume by 2026 is set to grow to<sup>8</sup>

**\$930 billion**



#### 2. Marketplace Seller Payouts

Global e-commerce sales by 2024<sup>9</sup> are expected to grow to

**1 in 4**



#### 3. Gig Economy Payouts

More people now work in a Gig Economy job including ridesharing, food delivery, freelancing & services<sup>10</sup>



Banks must adopt new business models, technologies and working practices to meet increased consumer and corporate client expectations.



In an era where digital-first platforms like Monzo and Starling, known for their efficient cross-border payment services, are gaining more customers than many traditional retail banks, it's crucial for these banks to innovate. They must adopt new business models, technologies, and working practices that meet the heightened expectations of consumers and businesses.



## Cross-border account solutions for a global future

With a presence in more than 200 countries and territories, 80 million merchant locations, 160 settlement currencies and close to 15,000 banks in our network, Visa is well placed to offer the world’s most powerful cross-border payments engine. In formulating our cross-border solutions with partners, we aim to deliver flexible, future-proof services that help banks and others to control costs and create

great cross-border payment experiences that clients and end-users around the world will love.

As a major step towards delivering next-generation cross-border payment products, we welcomed Currencycloud to the Visa family in 2021. Currencycloud enables rapid and secure payments processing between

more than 180 countries in 35 different currencies, and has processed more than £250 billion transactions<sup>1</sup>.

Two months ago, we announced the launch of Visa Cross-Border Solutions, a suite of licensed, embedded services which enable banks to expand from their existing cardholder base to capture new, fast-growing revenue streams.



As this graphic shows, Visa’s partners are now able to convert between 160 currencies and hold value in 30 currencies via a single API integration. Collections are enabled via five major methods including EFT and Faster Payments, SEPA Instant, SEPA SCT, SWIFT and ACH/FED wire. Payouts can be made to card accounts, digital wallets or bank accounts, all supported by Visa’s leading fraud and compliance services, from transaction monitoring and beneficiary validation to funds tracking and transaction reporting. FX services can be enabled in real time, and options include spot rates, forwards and TOD/TOM.



## Embracing change: a necessity

With fintechs now sharing 35%<sup>12</sup> of their value chain with banks, the need for traditional financial institutions to work across different types of technology stacks and embrace new experiences has never been greater. At present, cross-border payments remain a challenge which financial institutions of all sizes must resolve to ensure their ongoing relevance and competitiveness. Empowered by our enterprise-level security, regulatory expertise and global reach, Visa will continue to innovate with our clients, delivering rapid, secure and flexible collection, holding, conversion and spending solutions that banks can offer to their customers.

Ultimately, our singular mission as a company is to uplift everyone, everywhere by being the best way to pay and get paid around the world and, as a cross-border focused solutions team we aim to create a cross-border payments ecosystem that's fit for an emerging world built on digital infrastructures. This will enable us to deliver best in class cross-border payments and transfers experiences with broad reach around the world, which help our clients build loyalty with end users and also generate, sustainable monetization opportunities from new and existing products.

### Author:



**Luciana Mosoia**

GM for Enterprise FX,  
Settlement, and Cross  
Border Solutions at Visa



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