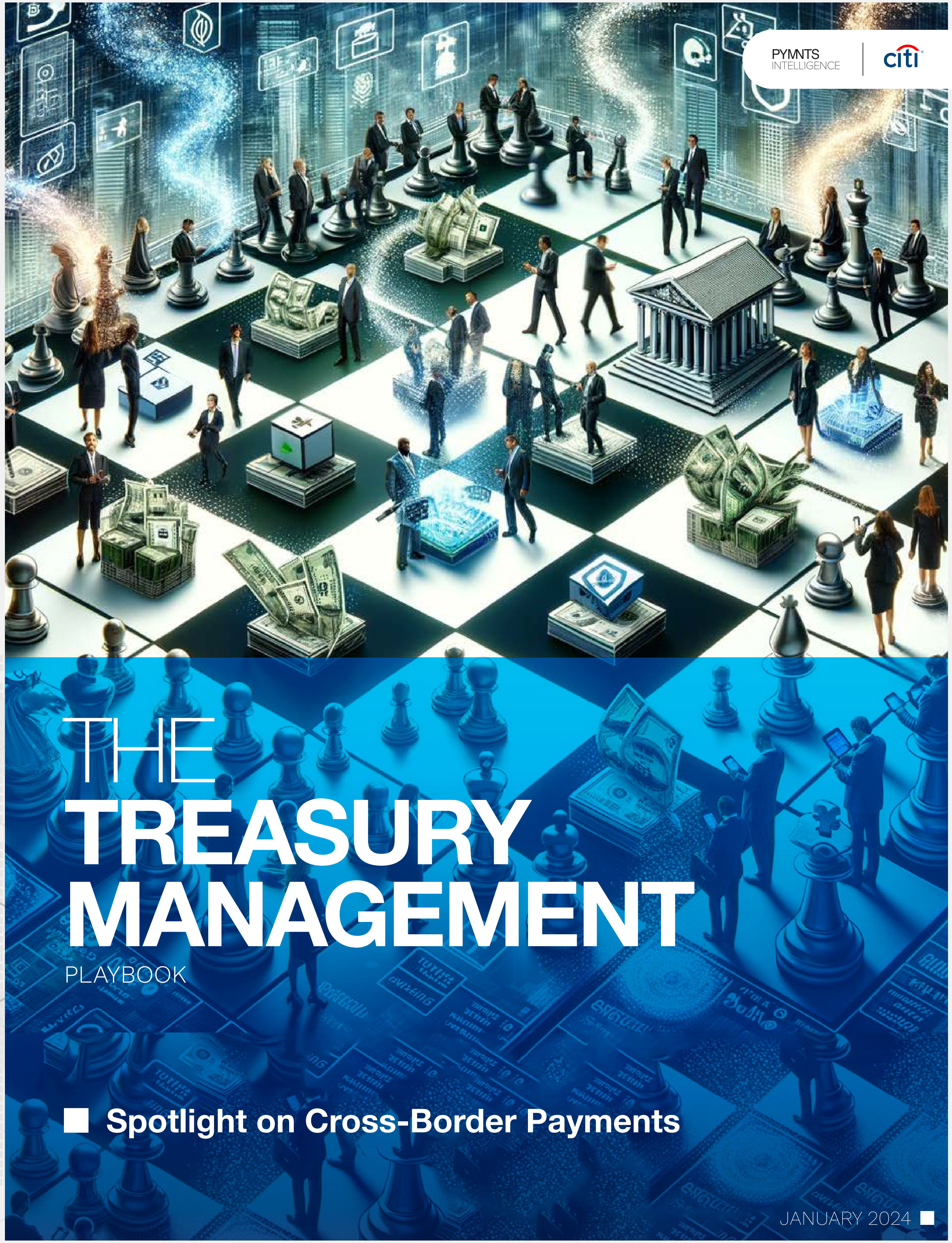
The Treasury Management Playbook: Spotlight on Cross-Border Payments, a PYMNTS Intelligence and Citi collaboration, examines the challenges merchants and FIs face as they attempt to meet consumer expectations for seamless payments while managing security, compliance and product performance requirements in a competitive global marketplace.



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THE TREASURY MANAGEMENT PLAYBOOK

Spotlight on Cross-Border Payments

JANUARY 2024

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The Treasury Management Playbook: Spotlight on Cross-Border Payments was produced in collaboration with Citi, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

INTRODUCTION

In an era marked by disruptive technologies, cross-border payments are quietly undergoing a revolution of their own. Surging global trade and deepening international supply chain links are fueling demand for cross-border payment options that mitigate the classic pain points of international transactions: slow speed, high cost and lack of transparency. Fortunately, the emerging paradigm centers around cost-effective, real-time payments solutions with maximum visibility for both sender and receiver.

This shifting landscape brings opportunities as well as challenges. An effective cross-border payments strategy increasingly makes or breaks international sales for large multinationals and smaller firms alike. Having the right tools is also required for unlocking new growth and keeping ahead of the competition. Beyond driving sales, real-time, cross-border payments solutions provide a range of benefits that CFOs and corporate treasurers should prioritize to improve speed, cost efficiency and transparency. These include simpler payments execution, streamlined compliance and improved cash flow and liquidity management.

The Treasury Management Playbook: Spotlight on Cross-Border Payments, a PYMNTS Intelligence and Citi collaboration, charts a path for cross-border payments in 2024. This report examines the importance of fast and efficient cross-border payments solutions, the obstacles endemic to international transactions and best practices from the perspective of corporate treasury departments.

WHY CROSS-BORDER PAYMENTS MATTER MORE THAN EVER

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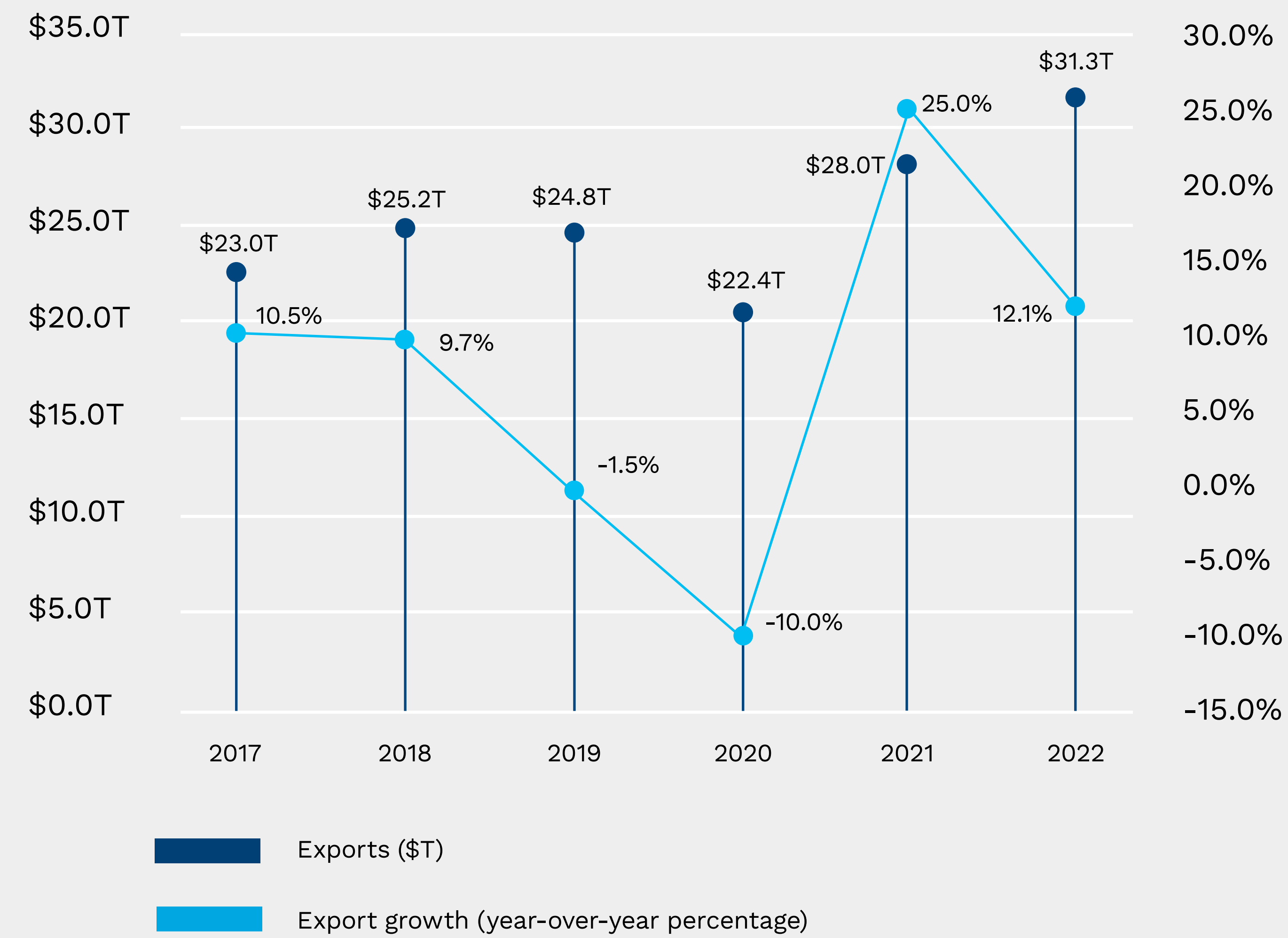
The global economy has proven its resilience in recent years, with cross-border trade quickly recovering from disruptions related to the pandemic. After dipping in 2020, worldwide exports rebounded 25% to a record high of $28 trillion in 2021, fueled by strong demand and deepening global supply chain links. This climbed another 12% in 2022, to a new all-time high of $31.3 trillion — up 24% from the pre-pandemic high of $25.2 trillion in 2018.[1] This trend will only continue in years to come.

[1] Author unknown. Goods and Services (BPM6): Exports and imports of goods and services, annual. United Nations Conference on Trade and Development (UNCTAD). 2023. https://unctadstat.unctad.org/datacentre/dataviewer/US.GoodsAndServicesBpm6. Accessed January 2024.

GLOBAL EXPORTS

Total volume and year-over-year growth of worldwide exports at current price basis



Source: Author unknown. Goods and Services (BPM6): Exports and imports of goods and services, annual. United Nations Conference on Trade and Development (UNCTAD). 2023. https://unctadstat.unctad.org/datacentre/dataviewer/US.GoodsAndServicesBpm6. Accessed January 2024.

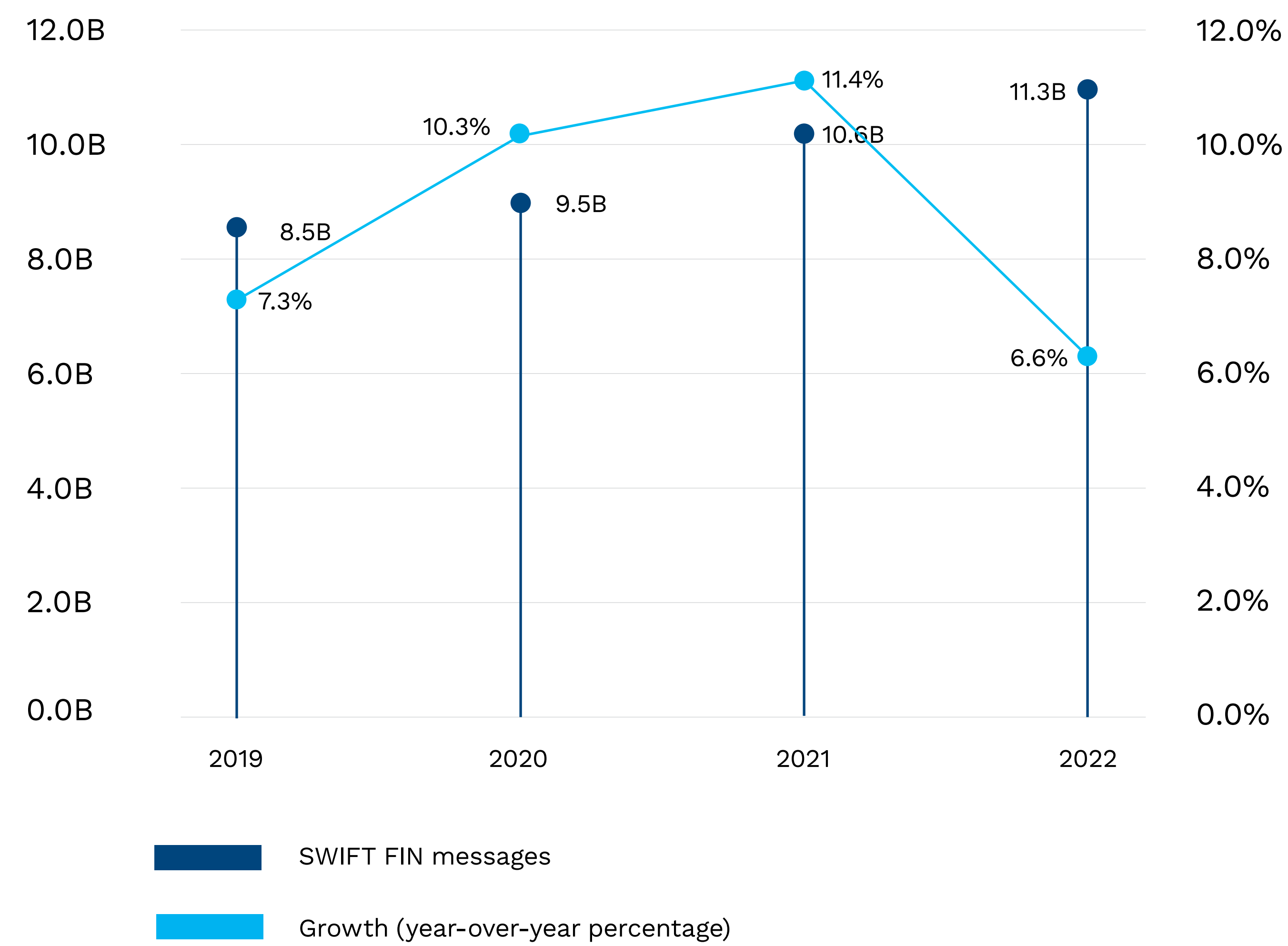
Cross-border payments have soared in tandem with the surge in global trade. While there is no single metric for measuring international payments, the number of Swift FIN messages — each of which represents one transaction sent using the world's primary international payment protocol — provides a good indicator. From 2019 to 2022, Swift FIN message volume climbed 33% to reach 11.3 billion, reflecting about 44.8 million transactions per business day.[2]

The rising tide of international trade and cross-border transactions means that businesses must look abroad to maximize growth and access the greatest number of customers. In turn, this makes fast, reliable and cost-effective cross-border payments more important than ever before. International customers will always choose to transact with businesses that offer transparent and seamless cross-border payments acceptance over ones that rely on slow, opaque and outdated processes.

[2] Author unknown. Swift in Figures December 2022 YTD. Swift. 2023. https://www.swift.com/swift-resource/251971/download. Accessed January 2024.

SWIFT PAYMENT GROWTH

Total volume and year-over-year growth of Swift FIN messages per year



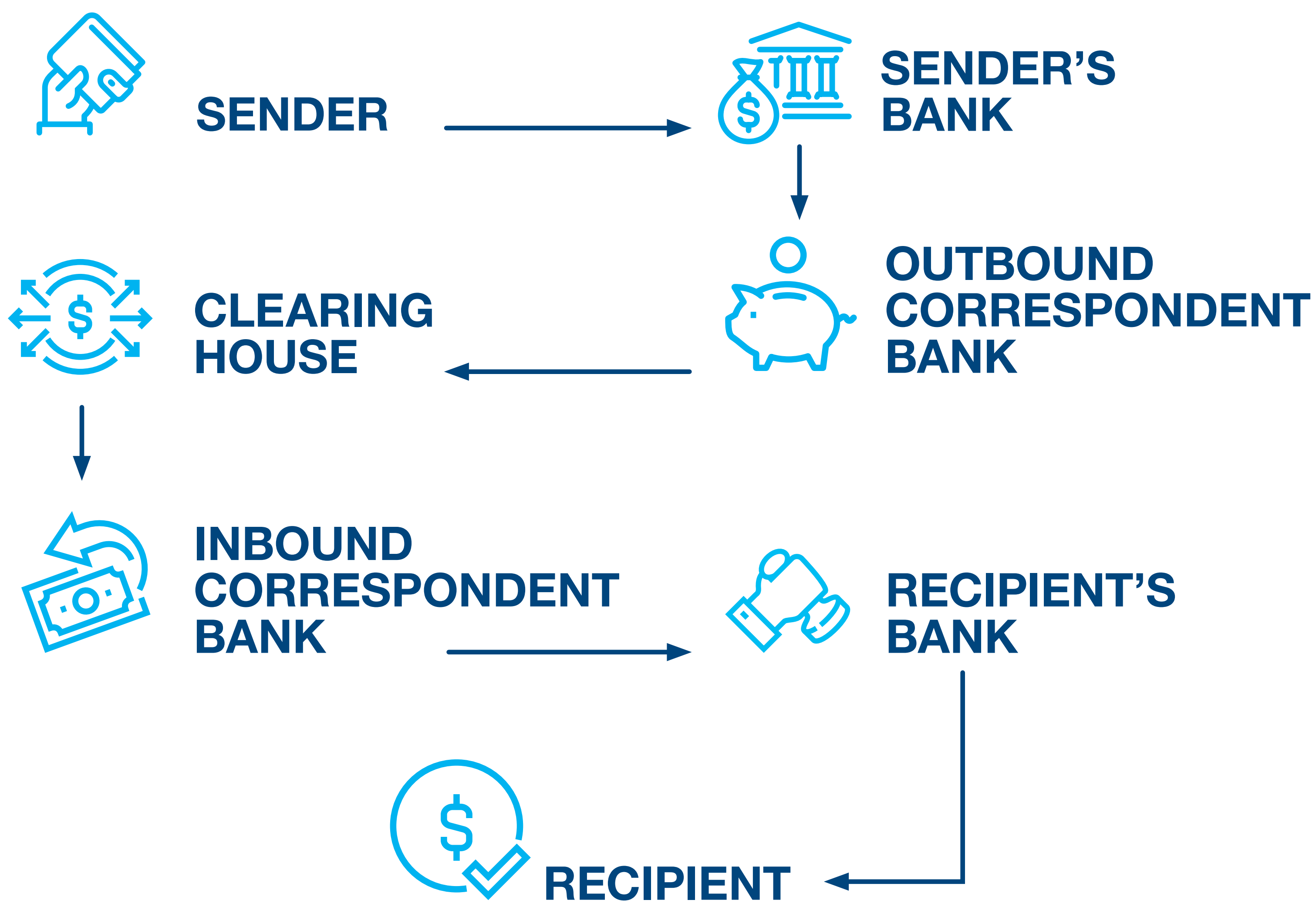
Source: Author unknown. Swift FIN Traffic document centre. Swift. 2021. https://www.swift.com/about-us/discover-swift/fin-traffic-figures/swift-fin-traffic-document-centre. Accessed January 2024.

THE CHALLENGES OF THE **CROSS-BORDER PAYMENTS ECOSYSTEM**

From the end user's perspective, a seamless cross-border payments solution will ensure a smooth experience that feels much the same as a domestic transaction. However, the reality behind the scenes is far more complex. Cross-border payments face critical challenges in three areas that affect domestic transactions far less significantly, if at all: speed, cost efficiency and transparency. Simply put, international payments are typically more expensive, slower and less transparent that domestic ones — problems that a quality cross-border payments solution will address and minimize.

In fact, a recent report by Citi found that 59% of its corporate clients name speed as one of their biggest pain points, followed by 47% for cost and 40% for transparency.[3] Many issues that seem relatively simple or minor can actually cause significant friction in these areas. For example, traditional cross-border payments, such as wires, only function during business hours, and those vary across countries. The same Citi research found that 42% of its clients say that the ability to process international payments outside of business hours is very important, and another 51% reported that it is somewhat important.

TYPICAL INTERNATIONAL PAYMENT PATHWAY



[3] Author unknown. Citi GPS: Global Perspectives & Solutions. Citi. 2023. https://ir.citi.com/gps/Jk59o2KlkzVjlkwJXj2Cat4n%2FaiGcbguwJWFDZcHMpjqNhfmVYa9HB5GA%2FtL7zSRMU-wqPC6cNzNiJpm4wnwhUA%3D%3D. Accessed January 2024.

KEY CHALLENGES

Speed:

Different countries and banking networks have different processing standards, operating hours and holidays, making traditional cross-border payments a slow ordeal.

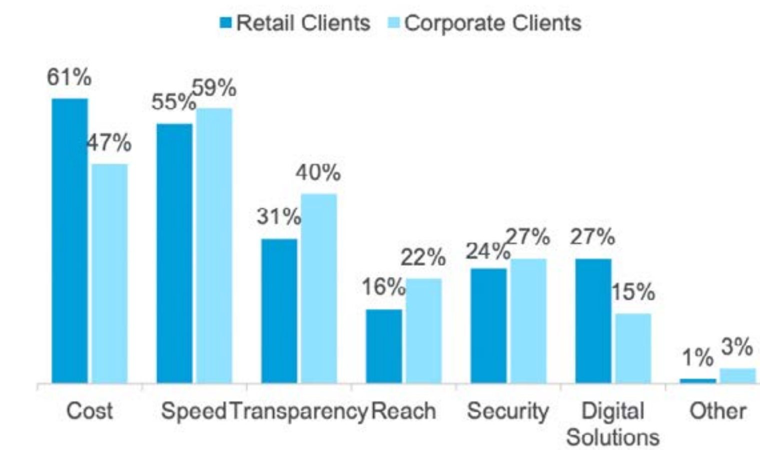
Transparency:

Wires and other traditional cross-border payments provide little or no transparency — such as tracking and receipt confirmation — for counterparties.

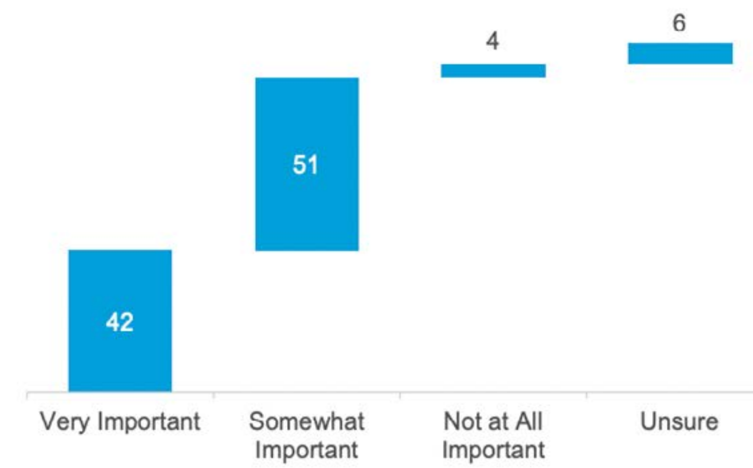
Cost:

Higher levels of complexity and compliance across multiple jurisdictions means higher costs for the end-user — either businesses or their customers.

What Are the Biggest Pain Points of the Bank?



How Important Is the Ability to Process Cross-Boarder Payments Outside of Business Hours for Bank Clients?



Source: Author unknown. Citi GPS: Global Perspectives & Solutions. Citi. 2023. https://ir.citi.com/gps/Jk59o2KlkzVjlkwJXj2Cat4n%2FaiGcbguwJWFDZcHMpjqNhfmVYa9HB5GA%2FtL7zSRMUwqP-C6cNzNiJpm4wnwhUA%3D%3D. Accessed January 2024.

THE BUSINESS VALUE OF REAL-TIME PAYMENTS SOLUTIONS

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The advent of real-time payments has substantially reshaped the payments space by offering near-instant transfers with high levels of visibility for both senders and receivers. This critical innovation has been relatively slow to penetrate the international banking ecosystem despite rapid uptake in the domestic space. However, cross-border real-time payments solutions are now widely available, and businesses should understand the significant advantages on offer.

Real-time payments are transfers between banks that use digital payments rails to clear within seconds and offer 24/7 availability. This speed provides several crucial advantages. First, transactions can be conducted instantly, allowing buyers to get the goods and services they need and sellers to maximize their working capital. Second, instant clearance reduces the potential for mistakes and bolsters confidence and trust between counterparties. Third, cash flow becomes much easier to manage for both sides of a transaction.

All three of these benefits become more impactful in the cross-border payments context. Traditional bank transfers between countries take several business days, and this can easily delay delivery by a week or more due to differing time zones, working hours and holidays. This lag compounds cash flow and liquidity management issues as well. Concerns around trust are also more pronounced in international transactions, especially between unfamiliar counterparties.

Beyond speed, the modern digital platforms that power real-time, cross-border payments also enable robust tracking and data collection. This means clear visibility into the status of payments and the ability to analyze revenue and spending in real time. This can have substantial impacts on accounts payable and receivable teams, freeing them from manual tracking and inquiries related to less reliable forms of payment.

Streamlined regulatory compliance is another high-impact benefit of real-time payments that becomes more valuable in the international context. Real-time cross-border payments solutions are built on established protocols, such as ISO 20022, that ensure compliance with relevant international and local laws. By using an established real-time payments solution that regulators have already approved, a business can avoid potential compliance issues that can easily occur with a do-it-yourself approach.

BEST PRACTICES CHECKLIST

Align cross-border solutions with company strategy

Where does the company aim to grow and how much of its focus is on international markets? The more that a business looks abroad for new markets and new customers, the more important seamless and efficient cross-border payments become. Treasury executives who understand the importance of adopting better cross-border payments solutions should advocate internally for these innovations to be prioritized.

Consider how cross-border payments innovation can boost revenue

The cost and effort to implement cross-border payments innovation is only one side of the equation. Businesses should quantify the opportunity costs of sticking with the status quo. This can include missed sales, complex cash flow management and numerous other negative impacts.

Consider the company's strengths and goals in terms of building blocks

Think about cross-border payments from the bottom up, not just the top down. How can the right tools and strategy build upon core competencies and value propositions? For example, the right cross-border payments solution can greatly improve client experience and enrich the company's data-gathering capabilities

Focus on real-time payments solutions

The advantages of real-time payments for businesses are undeniable. They are fast, secure and provide maximum visibility and security. From the customer's perspective, this means instant and secure clearance and getting their goods more quickly. For corporate treasurers, real-time payments solutions simplify payments issuance, reduce the need for excess working capital and provide unrivaled visibility for both outbound and inbound funds.

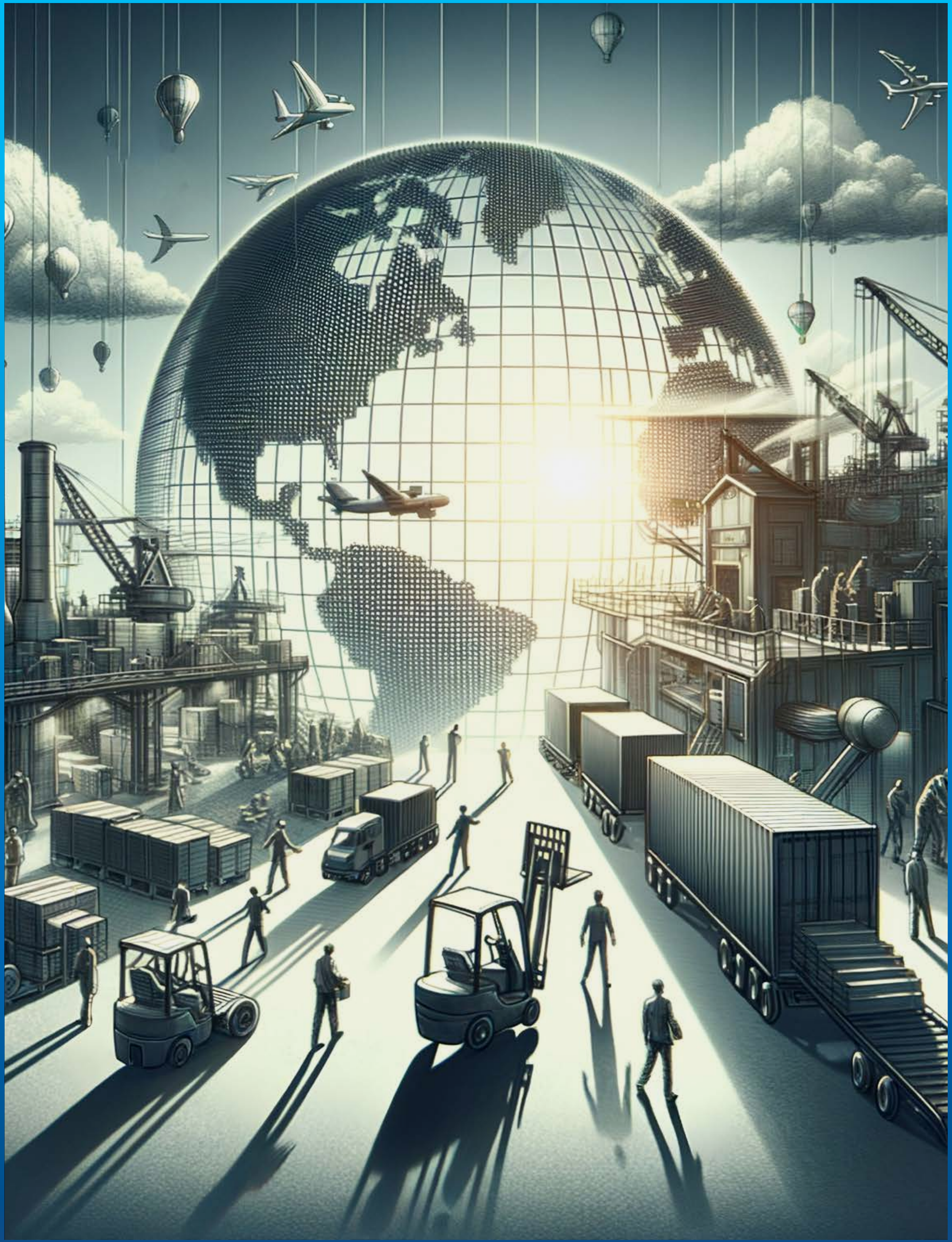
Leverage existing — and new — banking relationships

Even large multinationals cannot afford the time or investment required to build their own cross-border payments solutions. Businesses should collaborate with their existing banking partners to understand what these providers can deliver.

They should also look to new providers that may offer services and expertise that fit their cross-border payments needs and other business goals.

Understand the role of APIs in enabling cross-border payments

The most effective solutions leverage technology to seamlessly embed cross-border payments functionality into a company's digital platforms and services. Application programming interfaces (APIs) in particular unlock cross-border payments offerings for businesses without the need to modify their systems or reinvent the wheel by building new solutions. Firms should turn to experienced banking partners for expertise in this rapidly developing area.



CONCLUSION

Cross-border payments have an increasingly significant impact on businesses of all sizes and across all industries. As global trade volumes continue to increase and international supply chain links deepen, this trend will only accelerate. The increasing emphasis on cross-border payments makes the fundamental pain points of international transactions — namely speed, cost, transparency and compliance — all the more impactful. CFOs and other corporate financial executives should take a deep look at how cross-border payments impact many dimensions of their businesses, from international sales to cash flow management, and leverage both existing and new banking partnerships to adopt the right strategies and innovations.

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ABOUT

PYMNTS
INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

Citi's mission is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress. Our core activities are safeguarding assets, lending money, making payments and accessing the capital markets on behalf of our clients. We have 200 years of experience helping our clients meet the world's toughest challenges and embrace its greatest opportunities. We are Citi, the global bank — an institution connecting millions of people across hundreds of countries and cities.

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