# Cross Border Payments and Modalities



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# Agenda

- Payment Systems & Modalities
  - Payment needs
  - Available Methods of Payments
- Pain points with e-commerce payments
  - Cards
  - Wallets
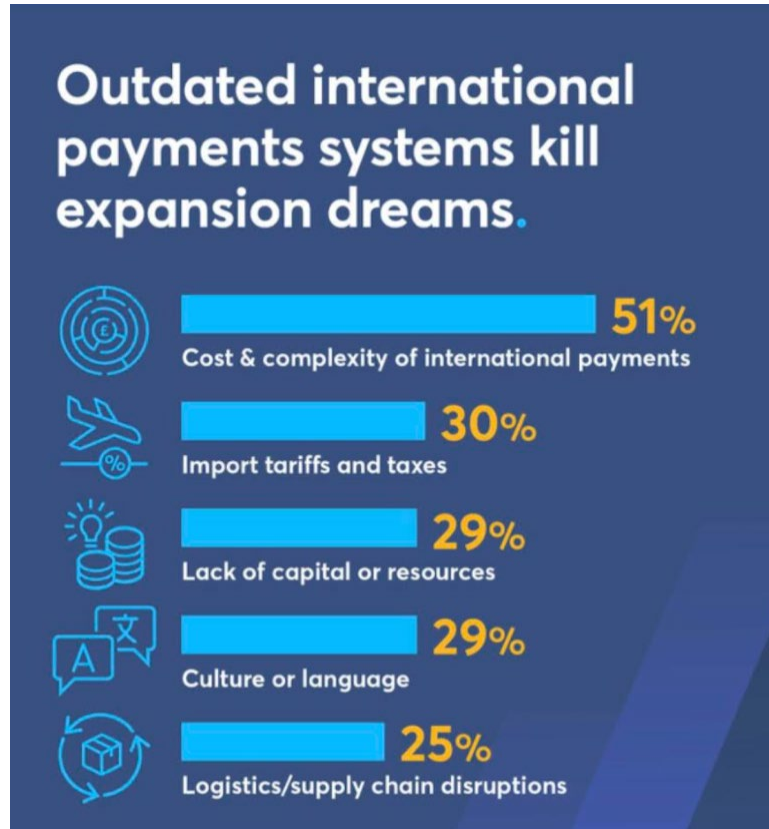  - Banks
- Market Solutions to explore

# Payment  Systems & Modalities

Payment Types are varied

- Consumer Purchases of Goods and Services

- Subscription services (entertainment, education, software)

- B2B commerce (pay a vendor, creator, gig economy AR/AP)

- Other B2B (tuition, medical, real estate, payroll)

# SMBs reasons for not going International



Outdated international payments systems kill expansion dreams.

- Cost & complexity of international payments — 51%
- Import tariffs and taxes — 30%
- Lack of capital or resources — 29%
- Culture or language — 29%
- Logistics/supply chain disruptions — 25%



Pricey, slow, painful – MSMB payment problems.

- High costs/too expensive — 34%
- Confusing fees/surprising costs — 27%
- Complex/cumbersome processes — 25%
- Payments/transfers too slow — 25%
- Unclear payment/transfer status — 22%
- Lack of customer service/support — 20%
- Lack of geographic coverage — 19%

*credit: Wise research on SMBs

# Payment Systems & Modalities

Available Methods of Payments

- Card payments

- Money Transfer/P2P

- Wallet payments

- Bank wires (International, Domestic/interbank)

- Crypto

# Pain points with e-commerce payments 1/3

*Merchants now have to support a variety of offerings: Wallets, BNPL plans, local banking networks (Spey, ACH,… )*

## Payment Cards

a. **Access:** Individuals and business need access. May require bank account.

b. Fraud / Chargebacks: Global card fraud is projected to surpass $30 billion in 2020, with retailers expected to lose $130 billion to CNP fraud between 2018 and 2023. 3-D Secure 2.0 – could help prevent online fraud, as the standard will enable richer data transmission at the point-of-sale and thus allow for more sophisticated risk-analysis

c. Varying payment/refund rules across countries/regions

d. Card Association rules: create complexity and costs. For example: Since Sept. 2019, as part of PSD2, merchants  have to prove someone's identity with two of inherence, knowledge and/or possession – except when they don't.  Rising payments costs: of such as the upcoming Visa inter-regional ecommerce fee increase in Europe on 1st April

e. Acceptance rates: Issuing banks decline many valid transaction

f. International Platform, Local Payments: There is a fine balance between payments platform being both universal and consistent but also flexible enough to benefit from local variations in customer, regulation or technology.

# Pain points with e-commerce payments 2/3

## Wallets
   a. Acceptance is limited/specialty payments
   b. Often leverage card or bank rails and add a cost margin

## Banks
   a. Usually slow and expensive internationally, and also domestically in the absence of a modern settlement system (US ACH 24 hrs, RTP instant)
   b. Unknown and varying reversal rules (ACH transfers can be recalled)

## Credit availability

Needed to smooth income fluctuations, or afford expensive items
   a. Credit cards
   b. BNPL
   c. Other credit line access

# Pain points with e-commerce payments 3/3

## Money Transfer Companies

a. Typical remittance companies are not geared to support such payments due to strict KYC/AML rules resulting in customer frustration and canceled transfers

b. Some solutions exist for larger volumes of trade

c. Often costs are significant

d. Many are specialized

e. P2P is cumbersome and requires a cooperative friend

## Crypto

a. Ability to buy/sell crypto (wallets)

b. Load/unload points

c. Volatility (stablecoin)

# Market Solutions

## What can be done to ease the pain?

- Easing market entry/creation of Fintechs to allow creative pain-point solving solutions to succeed
  - Gig-worker neobanks
  - AP/AR payments management company…
  - Good consumer protections to increase trust
- Lowering the barrier for consumer and SMB access
- Creating Financial literacy and access program to increase adoption of new financial tools
- Powerful customer rights disclosures mandates on rules for payments, cancellation and returns cross-border
- Standardization of regulations in-region and alignment with global best practices to simplify cross-border commerce

**Nubank moves into e-commerce**

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Brazilian digital banking giant Nubank has teamed up with a roster of retailers to add an e-commerce section to its app.

Thank you