

Unlocking the Promise of Instant Cross-Border Payments as a Public Good

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Executive Summary

The Nexus Roundtable organised by the Bank for International Settlements Innovation Hub (BISIH) at the Insights Forum™, held alongside the Singapore FinTech Festival 2024, highlighted the potential of multilateral platforms to transform cross-border payments into an inclusive, efficient and secure public good. Key themes explored included the benefits of multilateral approaches to cross-border payments, the importance of public-private collaboration, and the role of technology in achieving interoperability and scalability. Discussions underscored the need for harmonised regulatory frameworks, innovative approaches and use of technology to address different use cases, and robust governance structures to ensure sustainability and accessibility.

Participants identified six critical areas for success: high quality infrastructure underpinned by robust standards, interoperability supported by public-private collaboration, financial sustainability, regulatory alignment, support for public policy objectives, and safety and resilience. The roundtable concluded with a call to action for collaborative efforts to leverage open multilateral platforms like Nexus to help foster financial inclusivity and support global economic integration.

Introduction

Cross-border payments are integral to global commerce and financial inclusion, yet they remain costly and slow, and lack transparency and accessibility. Recent advancements in instant payment systems have transformed domestic transactions, prompting stakeholders to explore the opportunity of translating similar efficiencies at an international scale. The Nexus¹ initiative seeks to address these challenges by harnessing the potential of a multilateral network of instant payment systems to foster greater efficiency, inclusivity and security in cross-border payments, while complementing existing systems.

This roundtable convened stakeholders from diverse sectors, including central banks, financial institutions, fintechs, and payment system operators, to discuss how Nexus could unlock the promise of instant cross-border payments. Discussions were organised into three segments: (i) capitalising on the rising tide or multiplier effect of multilateral platforms, (ii) balancing public policy low costs with the need for financial sustainability, and (iii) enhancing safety, inclusivity and interoperability of cross-border payments. The dialogue identified six essential elements for the success of a multilateral platform for cross-border payments.

This report synthesises the key insights from the roundtable, offering a roadmap for multilateral solutions such as Nexus in reshaping the global payments landscape.

Six essential elements to unlock the potential of a multilateral cross-border payments platform

1. High-quality Infrastructure underpinned by robust standards

The foundation of Nexus lies in establishing high-quality infrastructure that is underpinned by robust standards to enable seamless cross-border payments. By adopting unified protocols such as ISO 20022 and common API standards, multilateral platforms such as Nexus can harmonise operational processes across jurisdictions, reducing complexity and enhancing efficiency. Scalable infrastructure that supports growing transaction volumes and diverse use cases is essential, with the potential for automation and application of innovative technologies such as artificial intelligence (AI) in driving efficiencies in

compliance, fraud prevention, and exception handling.

2. Interoperability supported by public private collaboration

Interoperability is critical to unlock a multilateral platform's full potential, fostering connections between domestic instant payment systems to create an inclusive, multilateral network. The platform must balance global interoperability with country-specific adaptations, addressing unique regulatory and technical requirements. Collaboration between the public and private sectors is vital, with central banks and regulators offering regulatory guidance and acting as catalyst to foster public-private collaboration, and private entities driving innovation in business processes and product offerings.

3. Financial Sustainability

To sustain its role as a public good, a multilateral platform must balance cost efficiency with financial sustainability. This involves reducing operational expenses, such as FX and compliance costs, through shared infrastructure and economies of scale. Fair pricing mechanisms will ensure affordability for end users, while clear value propositions and risk-based entry barriers will incentivise participation, fostering long-term financial sustainability.

4. Regulatory alignment

Fostering alignment of regulatory frameworks across jurisdictions could reduce barriers for participants and ensure compliance with global standards. For instance, standardised data-sharing protocols can enhance security and support AML/CFT measures, while regulators play a crucial role in shaping policies that create a conducive environment for multilateral platforms. Where harmonisation is not feasible, it is worth considering the potential of automating compliance processes leveraging innovative technologies such as smart contracts and privacy enhancing technologies, as explored in the BIS Innovation Hub's Project Mandala.

5. Support for public policy objectives

A multilateral platform should be positioned as a foundational digital infrastructure that prioritises inclusivity, accessibility, and trust. By meeting the

¹ Project Nexus has been an initiative spearheaded by the BIS Innovation Hub and its partner countries to develop a detailed blueprint for how a multilateral payment scheme and platform can be established to achieve the G20 targets of enabling cheaper, faster, more transparent and accessible cross-border payments. Nexus is designed to standardise the way domestic Instant Payments Systems (IPS) connect to one another. Rather than an IPS operator building custom connections for every new country to which it connects, the operator only needs to make one connection to Nexus. This single connection would allow the IPS to reach all other countries in the network.

needs of underserved markets and enabling cost-effective transactions, the platform can promote financial inclusion. Delivering consistent performance and reliability will build confidence among participants, while expanding use cases, such as real-time remittances, merchant payments and e-commerce transactions will increase relevance and utility for end users.

6. Safety and resilience

Finally, safety and resilience are paramount for a multilateral platform Nexus to gain widespread adoption. Advanced fraud detection systems, real-time monitoring tools, and standardised security protocols must be integrated to address evolving threats. At the same time, robust privacy measures will protect user data while maintaining transparency and compliance. The platform should also be designed for resilience, capable of withstanding operational disruptions.

Conclusion

The Nexus roundtable underscored the transformative potential of a multilateral platform for cross-border payments. By addressing cost, interoperability, inclusivity, and safety, Nexus can meet the G20 goals while fostering global financial integration. Achieving these ambitions requires collective action, with public and private sectors working in tandem to overcome challenges and seize opportunities.

Future Outlook

The road ahead for Nexus involves:

1. **Scaling participation:** Broadening the platform's reach to include a broader and diverse range of jurisdictions and entities.
2. **Innovating use cases:** Identifying new applications to enhance relevance and utility for end-users.
3. **Strengthening governance:** Establishing robust frameworks to enhance confidence and trust in the platform.
4. **Adapting to change:** Continuously evolving to meet dynamic regulatory, technological, and market demands.

By embodying the principles of inclusivity, efficiency, interoperability and safety, Nexus has the potential to not only achieve the G20 targets but also redefine cross-border payments as a cornerstone of global financial cooperation.



**Global Finance &
Technology Network (GFTN)**

89 Neil Road, #02-04, Singapore 088849
gftn.co | hello@gftn.com

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