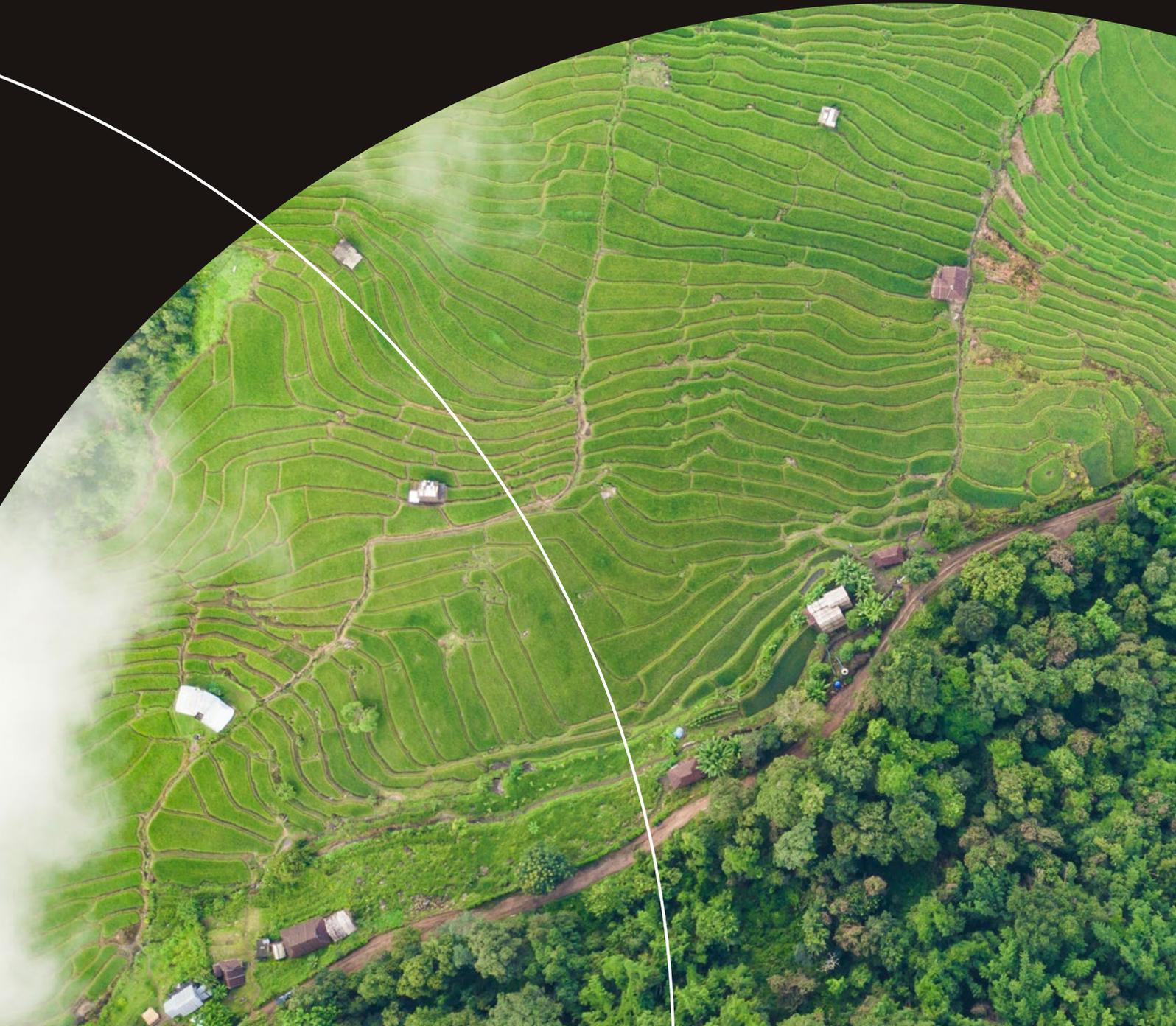




MASTERCARD CROSS-BORDER SERVICES

# One connection to reach the world

CAPABILITIES PAPER



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# Introduction



With a proliferation of digital technologies and tools, the way we live, work and do business is becoming increasingly border-agnostic. If current events have taught us anything it's that the world is connected, and our payment systems must follow suit.

Growing cross-border connectivity is the foundation of Mastercard's business — our first initiative was to link domestic card schemes to allow people and businesses to pay for things when they travel around the world. Today, our cards are accepted at over 46 million in-store and online locations in 210 countries worldwide; transactions on our card network are protected by extensive card scheme rules, advanced AML and security solutions, and best-in-class dispute resolution.

But we're evolving to support people's, business's and our customers' broader needs, and facilitate the kinds of payments that aren't suited to cards. Since 2017, we've been steadily investing in improving the world's account-to-account connectivity, with a focus on enabling a better cross-border payment experience for our customers and the people they serve. Our acquisition of Transfast in 2019 and our continued investment

in our HomeSend joint venture are foundational to our vision to build an interconnected network to support any type of cross-border payment to nearly anywhere in the world. The powerful combination of our platforms and their associated treasury and enhanced compliance capabilities has created our portfolio of solutions called Mastercard Cross-Border Services.

Through a single, secure point of access, Mastercard Cross-Border Services can reach 90 percent of the world's population via cards, bank accounts, digital wallets and cash agents. Mastercard's combined capabilities allow us to facilitate safe and certain payments between people, businesses and governments in over 100 countries and growing.

For any purpose to any end point. It's one connection to reach the world.

**Stephen Grainger**  
Executive Vice President, Mastercard

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Learn more about Mastercard Cross-Border Services at [crossborder.mastercard.com](https://crossborder.mastercard.com)  
Contact [mark.corritori@mastercard.com](mailto:mark.corritori@mastercard.com) for more information

# A significant and growing market opportunity

Mastercard conservatively estimates the global cross-border payment market GDV value to be \$20 trillion per year. The payment types that are growing fastest and most significantly include: sending money to someone in another country, receiving a salary from an employer based abroad, or paying an invoice from an international supplier — to name but a few.

\$600b

The World Bank projects remittance flows to increase to nearly \$600 billion by 2021

## **Sending money to other people in a different country**

In 2019, migrants collectively sent \$550.5 billion back to their home countries with nearly 64 percent (\$350 billion) of total remittances sent to lower and middle-income countries.<sup>1</sup> The World Bank projects remittance flows to increase to nearly \$600 billion by 2021.<sup>2</sup>

After the US, the second largest remittance-sending market is the United Arab Emirates, which sent \$44 billion or 11 percent of the total global remittance volume in 2017.<sup>2</sup> The UAE's population is composed of just 15 percent native residents with the remaining 85 percent composed of foreign workers. Indian nationals account for 30 percent of UAE's expatriate population; 38 percent of total remittance outflows from the UAE were sent to India in 2018.<sup>3</sup>

\$2.7t

Globally, the gig economy now represents \$2.7 trillion in annual disbursements

## **Paying gig workers in other markets**

Globally, the gig economy now represents \$2.7 trillion in annual disbursements and is expected to grow by 17.4 percent through 2023.<sup>4</sup> The world's largest platform businesses are heavily reliant on international digital contributors for their 'supply': 84 percent of Google AdSense publishers, 71 percent of Amazon sellers, and 91 percent of Upwork freelancers are based outside US.<sup>5</sup>

65%

Business-to-business payments represent nearly 65 percent of the cross-border payments market

## **Paying international suppliers**

Business-to-business payments represent nearly 65 percent of the cross-border payments market at \$149 billion. SME cross-border payments are expected to grow at a rate of 5–10 percent a year from 2018–2023, notably into emerging economies such as the Philippines and India.<sup>6</sup>

Facilitating these kinds of payments between the countries where flows are growing most significantly presents a considerable revenue opportunity for financial institutions. But facilitating these flows requires them to expand into new markets, notably in Southeast Asia and the Middle East and Africa, where there are a number of complex requirements. It could be an additional data element, such as a person's passport number; or a

business's tax ID; there may be a list of purpose of payment codes. The requirements vary from country to country – sometimes quite significantly, as do local languages and characters.

In order to capitalise on the opportunity, banks, non-banking financial institutions digital corporates need a way to reach new markets that's more efficient and more sustainable.



# An opportunity to evolve the model

The complexities of different market requirements are compounded by the challenges associated with the disparate and complex nature of correspondent banking. It's time – and cost-intensive to maintain bilateral relationships, manage regulatory and compliance requirements, and manage customer queries and complaints in the event something goes wrong, all of which limits financial institutions' profitability and operational efficiencies.

The resulting negative impact on people and businesses include long and unpredictable processing times and high and unpredictable fees, which amount to a general lack of certainty in cross-border payments. This negatively affect banks' ability to provide a truly customer-focused service.

Where the internal and external challenges associated with correspondent banking meet growing demand from people and businesses for faster, easier and safer cross-border payment solutions, it creates a perfect storm for disruption.

Closed-loop networks and money transfer operators now command some 40 percent of global revenues for peer-to-peer payments and are increasingly serving more customers in the consumer-to-business and business-to-business space. But disruption need not come in the form of a unicorn. Mastercard Cross-Border Services enable established – and trusted – financial institutions to offer a better solution – for any purpose; to any end point.

“Mastercard Cross-Border Services enable established – and trusted – financial institutions to offer a better solution”



## For any purpose...

We recognise that financial institutions and their customers' needs vary. Our capabilities and partnerships provide a more effective way for financial service providers to move money between people, businesses, governments and non-governmental organisations.

These include for migrant workers remitting money back home; for gig platforms disbursing their workers' earnings, and for small and medium-sized businesses – the lifeblood of the global economy – paying their international suppliers.

For all these purposes and more, such as an international aid agency disbursing emergency funds to disaster victims or people that are otherwise displaced, Mastercard Cross-Border Services can cater more effectively to their needs.

Our solution provides shorter and more predictable processing times, more predictable transaction fees and foreign exchange costs, and improved security and transparency, which add up to greater payment certainty for all parties.



## ...to any end point

Mastercard Cross-Border Services enable payments between bank accounts, wallets, cards and cash agents.

We can reach more than three billion bank accounts, which are the most fungible source of funds – money received into a bank account is most readily available to spend. Similarly, money received into a wallet can be instantly available to send, provided it is to a recipient within the same closed-loop network.

And the ability to cash-out in a local currency allows people to receive funds in a form that can be spent immediately – and in the event that digital payment systems are unavailable.

This powerful value proposition helps our banking partners compete more effectively with other financial institutions and alternative payment service providers, realise cross-border payment processing efficiencies, and innovate to differentiate their services.

# Making borderless payments a reality

Enabling the success of our partners is central to Mastercard's ambition. In recent years, we've been systematically acquiring strategic assets and enhancing our capabilities to improve worldwide connectivity in the account-to-account space. Our combined networks can reach more than 100 countries, more than 50 currencies, and more than 90 percent of the world's population.

We continue to grow our network reach into ever more strategic markets. In July 2020, we announced a partnership with

the Bank of Shanghai to enable faster, more cost-effective and transparent cross-border payments into China — now the largest export economy in the world. Business customers will be able to transfer money to any local bank in China, reduce the cost of transactions, and access real-time exchange rates for the Chinese Yuan. They will also be able to benefit from Mastercard's end-to-end cost transparency, near real-time delivery speed to the beneficiary's bank and a reduced need for additional documents and process.

Bank of Shanghai joins a growing list of global banks working with Mastercard to offer people and businesses a more effective way to pay and get paid — via one connection to reach the world.

Our combined networks can reach more than:



100

countries



50

currencies



90%

of the world's population

# One connection to reach the world

Mastercard Cross-Border Services enable these payments via a single, secure connection. We provide both the network reach and the peripheral sanctions screening and financial crime solutions to help financial institutions comply with international requirements and make payments easier, safer and more efficient.

But it's not just the secular benefits of our solution that make Mastercard their partner of choice. We're committed to enabling our partners' success. They affirm: "Our partnership differentiates itself in how we approach and tackle challenges together. Collaboration; mutual respect, and a focus on how we can grow together."

But we're not stopping there. We're additionally focused on connecting real-time payment platforms, and providing a suite of additional services, such as enhanced liquidity management capabilities, and exploring new end points and rails, such as blockchain.

The industry is in the midst of a perfect storm, where rising pressures on profitability, increasing regulatory requirements and growing demand from people and businesses collide. Thoughtful, responsible disruption is required to deliver a sustainable transformation.

"We're additionally focused on connecting real-time payment platforms, and providing a suite of additional services"

# Epilogue: Enabling a faster, more connected world

"Global banks are working with Mastercard to offer people and businesses a more effective way to pay and get paid"

We envisage a world where making international payments is as seamless as domestic ones. Where financial institutions and businesses speak the same language; where digital payments touch every individual, and the flow of money never stops.

Leveraging existing banking infrastructure, our cross-border platforms, and new and emerging technologies such as distributed ledger technology, we will join together payment systems and schemes to create an integrated global payments network. Under a full-service model, Mastercard will act as a central facilitator, processing, netting, clearing and settling international transactions,

including both high-volume and high-value payments. We will work with the banking community to agree the rules and practices that enable a safe, fair and vibrant ecosystem, and leverage our more than fifty years' experience supporting domestic operators and governing an international card scheme to administer them.

This is not a revolution but an evolution: it's a natural next step in our commitment to enabling a faster, more connected world. Where money keeps pace with the way we live, work and do business.

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1. Visual Capitalist
  2. World Bank Migration & Development Brief. April 2019.
  3. Embassy of India
  4. 'The Global Gig Economy: Capitalizing on a ~\$500B Opportunity', Mastercard Gig Economy Industry Outlook and Needs Assessment, Mastercard and Kaiser Associates. May 2019
  5. Similaritech; Web Retailer; Upwork
  6. 'Global payments 2018: A dynamic industry continues to break new ground', *Global Payments*. McKinsey & Company. October 2018.





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