The future of cross-border payments is transcontinental transparency

The promise of technical innovations to transform legacy workflows is an easy one to understand. But implementing it successfully across entrenched workflows and processes is a little bit harder — particularly when those programs relate to the complex world of cross-border payments.

"If I had to define the current state of the cross-border landscape, I would say that we're on a journey to greater visibility," Isabel Baransky, a director in Global Transaction Services at Bank of America and head of auto conversion products in transactional FX payments, told PYMNTS.

"As an individual, there's only so much that you can do to crack the code of cross-border payments when you don't have much information initially," Baransky added.

Fortunately for companies seeking solutions to streamline their cross-border payment processes, innovations are transforming the way cross-border payments can be identified and converted automatically.

Beyond just transparency, a seamless and frictionless payment experience is crucial for businesses engaging in cross-border transactions.

"The biggest topic is ease of use, and that means having an available infrastructure for many of those different currency corridors to ensure a consistent experience," Baransky said.

Additionally, having an experienced banking partner can make the entire cross-border process not just easier, but also a little less intimidating.

Navigating the complex world of cross-border payments

"Companies are constantly competing for where to put their energy," Baransky said. "So, even companies that have been sending [foreign exchange (FX)] payments for a long time generally struggle to find ways of making their processes more efficient."

And still, even those organizations new to the FX ecosystem quickly realize that they are sending the same payment repeatedly.

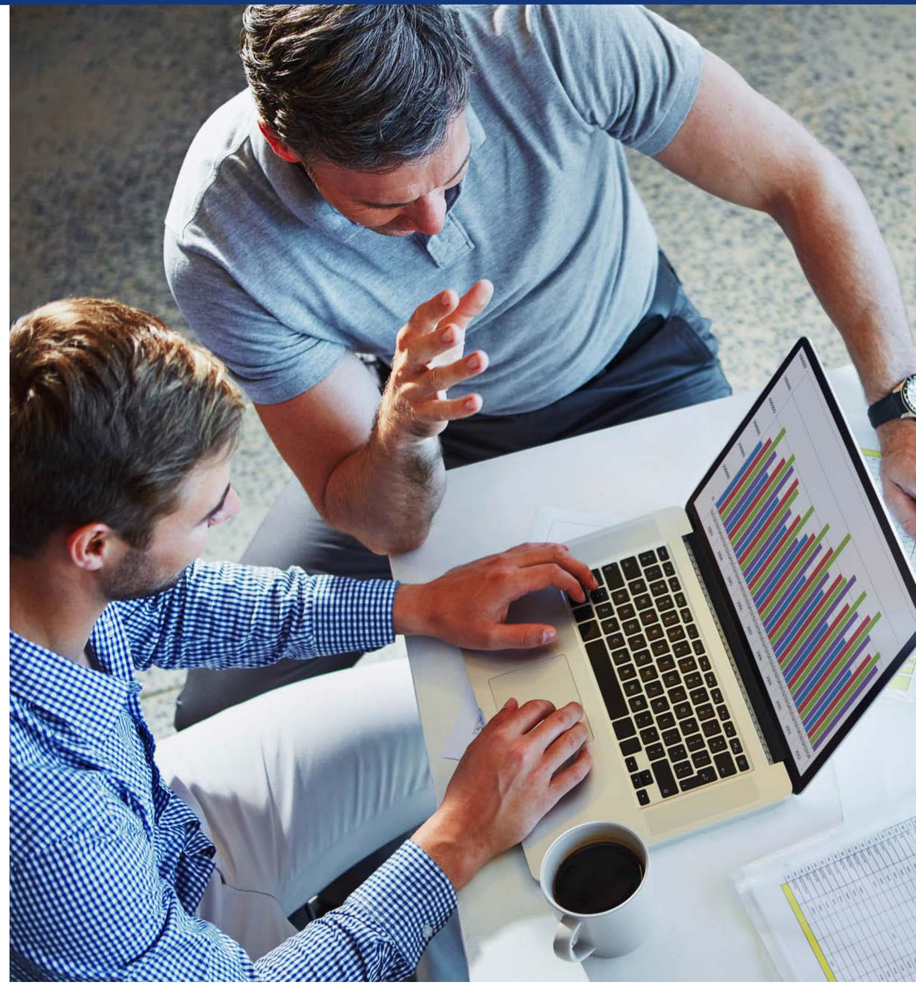
"Sometimes we get entrenched in bad habits that are difficult to break — not just philosophically, but also from a practical perspective," she said. "A company that wants to make changes to their FX payments may need to renegotiate their invoices or fill out templates to send these iterative payments, and that's just a lot of work, frankly."

But she said there are "so many potential savings to be realized from managing cross-border payments well, in addition to modernization benefits around efficiencies including speed of payment and transparency."

One of the primary sources of frustration lies in the lack of knowledge about the currency in which payments should be made. This uncertainty can impact both the remitter and the recipient, leading to delays and potential financial losses.

"The biggest friction point in the industry is the amount of energy that it takes and the knowledge that it takes to send an FX payment," Baransky said. "To overcome that barrier takes a lot of effort."

Consequently, some companies may even scale back from using FX payments altogether, deeming the return on investment not worth the effort. However, bridging the knowledge gap and providing comprehensive guidance to



clients can significantly simplify the FX payment process, making it more accessible and beneficial for all parties involved.

"If a firm can replace a U.S. dollar wire with an FX wire, at least internationally, they can save a lot on fees," Baransky said. "In addition to that, the payment typically gets cleared more quickly. So, not only are you saving on wire fees, you're also reducing the time in which your vendor gets paid."

Establishing transcontinental transparency

To address the admittedly daunting challenges in cross-border payments, savvy organizations are turning to partners who leverage big data, analytics and machine learning to analyze payment patterns and make informed decisions on how payments should be sent out.

By harnessing the power of data, companies can gain valuable insights into their FX payment processes, enabling them to streamline operations and optimize cost efficiency.

"Analytics plays a huge role in providing transparency and driving efficiencies by helping organizations make decisions that are advantageous to the entities in the payment chain," Baransky said.

But navigating cross-border payments can come with additional compounding challenges due to different regulatory requirements native to each country.

To navigate these challenges, global banks with their extensive knowledge and experience play a vital role in helping businesses ensure compliance and navigate regional regulations.

"Understanding the different regional attitudes, their local laws and regulations, and having a good relationship with the central banks in those regions is very important," Baransky said.

But as with cross-border's other frictions, regulatory and compliance bottlenecks can be smoothed over with transparency.

After all, "as you increase transparency, everyone will better understand the process and how certain decisions can impact the end result, leading to more efficiency in cross-border payments," Baransky explained.

That's why choosing the right cross-border partner can leave organizations poised for greater efficiency and success.

BANK OF AMERICA

Written by PYMNTS.com, August 2023