



SWIFT Institute

# CALL FOR PROPOSALS

## Can retail cross-border payments be Free and Instant?

The SWIFT Institute invites proposals for research on the topic to explore different key models in low-value cross-border payments and make a holistic assessment beyond perceived cost and speed. The aim is to demystify the end-to-end **cost, speed and compliance** to different value-chain stakeholders, and other dimensions including risk, transparency and liquidity.

Traditionally, cross border wholesale payments are processed through one or more correspondent banks, while there are alternative models used by payment service providers (PSPs) such as incumbent money transfer operators (MTO) or fintechs, that, in some instances, facilitate cross border retail payments through closed loop network. Closed loop networks are being expanded by PSPs, have often been associated with fragmented and truncated payment data, which breaks the end-to-end traceability of payment as it flows from first mile (capture of funds from payers) into last mile (delivering of funds to end users) typically aggregating transactions in bulk and funneling domestic transfers.

Besides MTOs there are also alternative models from networks based on blockchain technology (e.g. Ripple). The ability for digital assets to enable payments to be cheaper and faster is in need of further investigation, especially in today's world where the ability to spend at merchants in digital currencies is still negligible, so eventually digital money needs to convert into a fiat currency.

In the race to make retail cross border payments 'free and instant', the fragmentation of different models has posed challenges to have a holistic, transparent comparison of models across a consistent set of dimensions. Such a comparison is important to enable the global community to arrive at an objective understanding on the pros and cons of each model, bring down costs and speed to stay competitive, and to develop a roadmap.

### **Objectives and Focus of Research**

Research proposals can be theoretical or empirical. The focus of the research could look at the following (other suggestions are welcome):

- Define **key use cases, pain-points and geographical differences** of retail cross border payments in detail initiated or received by individuals or SMEs.
- Explain how each of the **3 key models** for cross-border retail payments work, and evaluate pros and cons of each focusing on **cost, speed and compliance** comparison:
  1. Correspondent banking model
  2. Closed loop model(s) used by PSP/MTO
  3. Blockchain model from alternative networks, where digital currencies (including CBDCs, stablecoins, and cryptocurrencies) will be at play

*The research is also welcomed to cover other models beyond the 3 described above.*

- Assess models across a **consistent set of dimensions**, including (but not limited to): (1) Cost; (2) Speed; (3) Transparency and traceability; (4) User experience; (4) Liquidity; (5) Ubiquitous coverage, corridors, currencies; (6) Compliance with regulations; (7) Anti-money laundering (AML), fraud and financial crime prevention.



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From the research and analysis, **insights to be synthesized**, e.g. to answer key questions:

- “Why are payments offered by PSPs through their closed loops cheaper than payments offered by banks leveraging the correspondent banking network?”
- “Do cross-border payments operated via the PSP model have the same level of compliance with regulations vs correspondent banking payments?”
- “Is it really cheaper to move funds across borders in cryptocurrencies /stablecoins vs moving fiat money via the correspondent banking network?”

If possible, a framework can be suggested to quantify the pros and cons to bring all dimensions into a common denominator. For example, through a balanced scorecard approach, quantifying non-cost dimensions into cost proxies, or other approaches.

The research should consider practical applications, whenever possible, to enable the global community to use the research findings as inputs for commercial planning and in decision-making processes.

## **Grant & Working Paper**

A grant of EUR 20,000 will be awarded to the author of the selected proposal. 50% will be paid immediately; the remaining 50% will be paid on acceptance of a final working paper and a two-page executive summary.

The paper must be:

- be written in a clear concise manner for the business leaders
- Maximum **40** pages, including the Abstract and Table of Contents
- Completed and ready for publication in 3 months

The SWIFT Institute will publish the working paper and summary to the global financial industry and on Elsevier SSRN database. Afterwards the author is free to submit the paper (or variation thereof) for publication in other publications of their choice.

The author **will / may** be invited to present their findings at a SWIFT Institute event related to the theme of the research.

## **Proposal Submission**

Please submit your research proposal as follows:

1. CV / bio including education, work history, research experience, publications, etc.
2. Description of your research project (2,500 words maximum) to include the following:
  - Objective of your research
  - Methods by which you intend to undertake your research
  - Timeframe by which you intend to complete your research
3. By email in MS Word / Excel / PowerPoint format and / or pdf.

**Deadline:** Proposals must be submitted no later than 13 April 2023

**Email:** Send submissions to: [Nancy.Murphy@SWIFT.com](mailto:Nancy.Murphy@SWIFT.com)