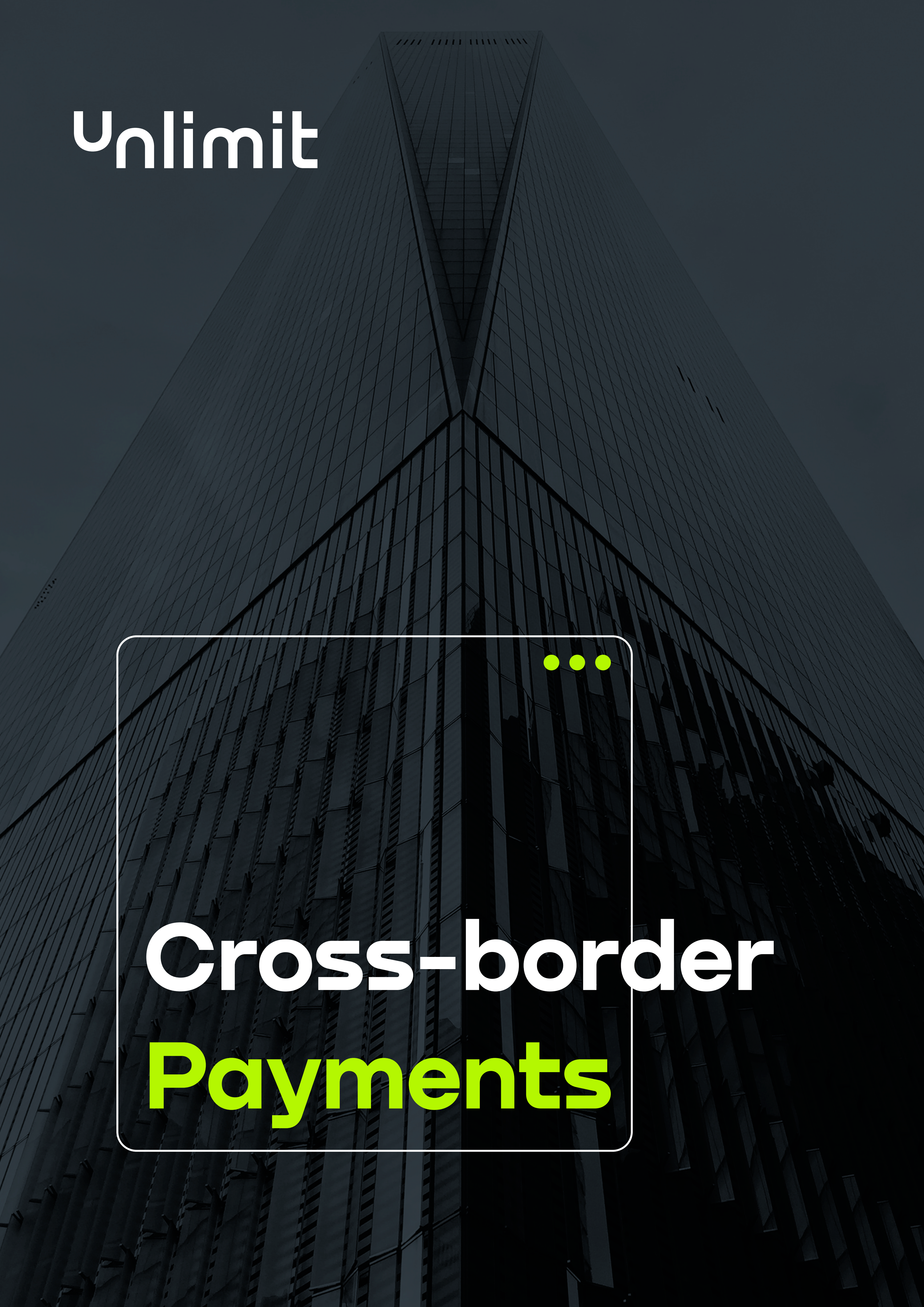

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Cross-border Payments

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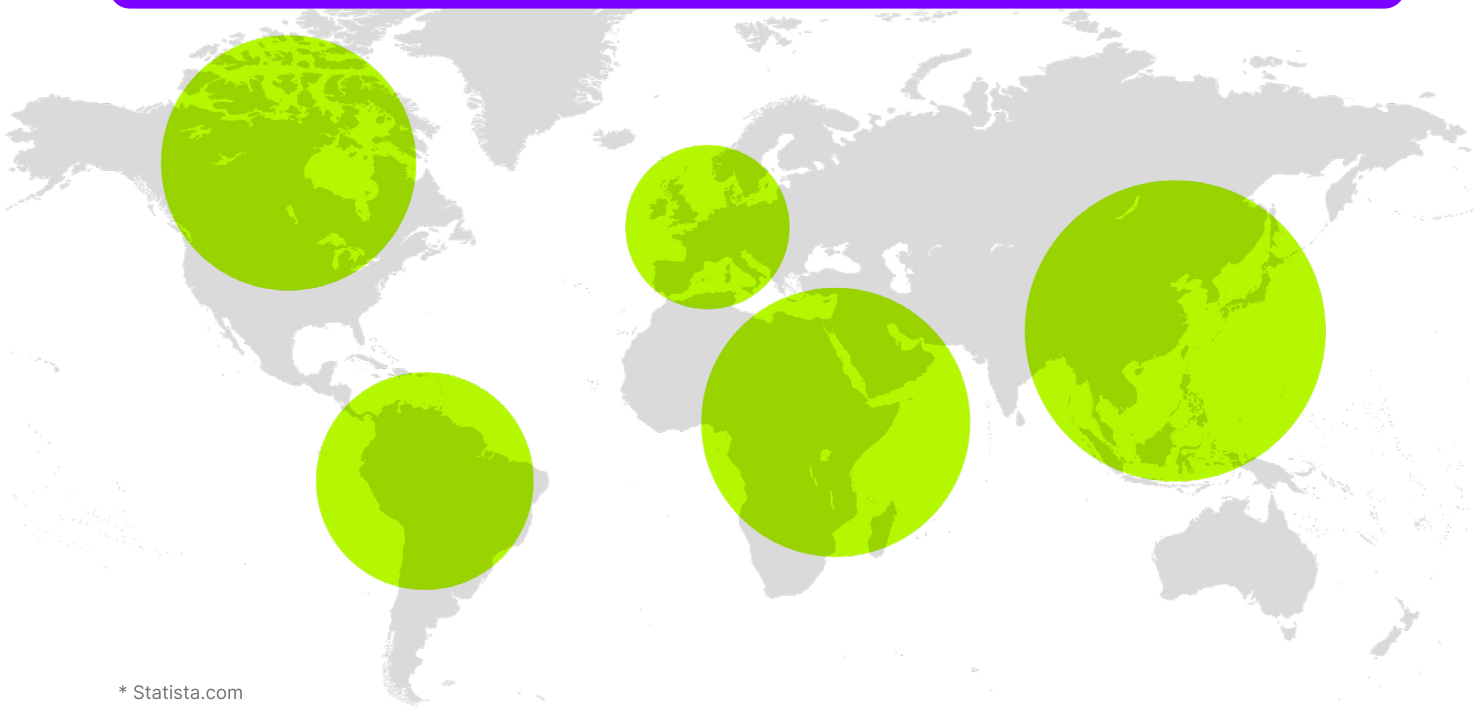
Introduction

Cross-border payments are commercial financial transactions between a sender and recipient who are based in separate countries. These can occur from B2B, B2C, and C2C, covering both wholesale and retail payments that can include remittances. In recent years with the growing use of digital payments and banking, there has been a spike in the number of cross-border transactions between individuals, companies, banks, and other financial institutions.

The tried and tested process with a correspondent banking approach has been the main method of transferring funds internationally for years but has often encountered challenges which have had considerable impact on businesses and customers—encouraging them to seek alternative solutions from new players.

And whilst cross-border transactions only represent one-sixth of all transaction values, international payment revenues account for up to $200 billion globally (equating to 27% of global transaction revenues, which is an increase of 6% annually).

International payment revenues account for up to $200 billion globally



* Statista.com

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Cross-border payments have been fundamental to serving trade and investment at an international level, which is crucial to our global economy. However, over time the chain of involved parties and complexities in the international payment corridors have become increasingly extensive, including networks of parties across the world, varying regulations, mandates for liquidity and varying technical infrastructural qualities. The reason for cross-border payments and transactions remaining at the forefront of discussions at a sociopolitical scale is because of the new business opportunities and maturing markets which hold potential internationally. But in tandem with growth opportunities with rising cross-border payments, we have also seen a rising number of transaction limits, disputes, fragmented data formats, conflictions with operating hours, growing transaction chains and more. Within this whitepaper we will be spotlighting the obstacles and opportunities that businesses face with making and receiving payments cross-border. As leaders in the fintech space, with over a decade of experience, we are versed in local knowledge, at a global scale, and aim to use our understanding to support our current and future customers with learnings and research that will enable them to reach new heights.

"The cross-border payment landscape is undergoing a remarkable transformation, driven by regulatory demands and pressures that aim to protect and empower businesses and customers. In this environment, payment service providers have become increasingly popular for their ability to facilitate instant payments across multiple currencies and payment methods, at lower fees than traditional banks. Consequently, conventional methods like wire transfers, which are fraught with high expenses and low speed, have gradually lost favour among merchants.

Over the past five years, cross-border payments have gained prominence in both business and political spheres, fostering collaboration towards global interoperability. Much like with the G20 Roadmap, efforts are focused on improving interlinking arrangements, reducing intermediaries, and embracing technological innovations to ensure equal access to cross-border channels across all continents.

It will serve businesses well to recognise that entering new markets requires understanding the variations in available technologies and differing regulatory frameworks, as these factors will have a significant impact on their operations. However, the opportunities are endless in our evolving landscape, influenced by digitalisation and customer knowledge. By embracing automation, streamlining processes, and leveraging third-party providers offering simplified access to disruptive technologies, businesses can capitalise on these opportunities and thrive in the ever-changing market."

Irene Skrynova
Chief Customer Officer

Key Insights

For parties of all economic sizes and values, concerns around the state of business for 2023 have been high due to the economic crisis. Consumers are spending less, merchants are seeking ways to cut costs and countries are under immense pressure to facilitate better interoperability despite economic fragility. So, our key insights are gathered with the premise to support smarter expansion and movement of funds at a global scale.

Financial institutions, both banks and non-banks, are driving to satiate business needs for solutions that help them move funds cross-border, by offering the following:

- Saved time
- Mitigating high foreign exchange rates
- Send / receive money quickly
- Close to real-time payments
- Transparent corridors to track funds

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Current pain points for businesses:

- → B2B payments are more complex than B2C payments
- → Foreign regulations, banking, and FX add to the complexity
- → The biggest risks to growing cross-border include fraud and data security

Business-to-Business (B2B) transactions make up the largest share by far, expected to account for

$150 trillion

The global market for real-time payments is estimated to increase from $19.8 billion in 2022 to

$88.7 billion in 2027

The value of cross-border payments is set to reach over

$250 trillion

by 2027, equating to a rise of over $100 trillion in just 10 years

A cross-border payment can take

several days

to complete

A cross-border payment can cost up to

10 times more

than a domestic payment

It can cost up to

10% of the value of the transfer

The volume of world trade has grown by

4,300% since 1950

and its monetary value has increased 347 fold

In 2022, customers paid businesses around

$2.8 trillion

in cross-border payments

There are

0.7 annual cross-border transactions per capita on average globally (up from 0.5 in 2014)

The total cross-border payments value is averaging

1.8 times global nominal GDP

15—20% of e-commerce transaction value is already international

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The Materialisation of Cross-Border Payments

> "Why have improvements in cross-border payments been slower to materialise than in domestic payments?"

Cross-border payments are by definition more complex than domestic ones because of time zone differences, intermediaries, conversions, jurisdictions, and regulations. We're in a time of great evolution with cross-border interoperability, irrespective of ongoing uncertainty around barriers, compliance, and cyber risks. From a regional level, we have seen resistance from countries due to the mistrust of international payments. And so whilst we see domestic payments improving in many countries, cross-border payments are lagging behind for numerous reasons; including:

- Country sanctions
- Compliance checks
- Trade wars
- Declining correspondent relationships
- Capital controls
- Requests for documentation
- Balance of payments reporting

The nature of these challenges also mean that international collaboration is needed to improve cross-border payments. And the vast scale of the payments landscape is now at the centre of a number of technological developments and trends that could fundamentally change the cross-border dynamics. Why is this happening? Simply put, the rising pressures from emerging technologies (such as distributed ledger technology and card/network innovations), shifting regulatory frameworks, growing retail and corporate international commerce, and, of course, consumer demands. In response to the need for change and real-time cross-border payments, new players such as fintechs are inadvertently applying competitive pressures on incumbents.

Main frictions slowing down cross-border payments at regional levels:

- High cost
- Managing foreign exchange and regulations
- Security/compliance risk management
- Delays in receiving payments
- Errors in supplier information/missing information
- Managing cross-border payments compliance
- Better integration with accounting or ERP systems
- Too many manual processes
- Resources required to manage cross-border payments
- Lack of knowledge of supplier acceptance methods
- Complicated payment terms
- Quick and/or efficient issue reconciliation
- Resources required to manage failed payments
- Lack of transparency into transactions across workflow

Risk, Barriers, Challenges

The resistances found in cross-border payments are a result of the complexity of finding a balance within interoperable channels. We've seen particularly in B2B transactions that the challenges are greater due to the presence of differing payment systems, processes, and preferences for each of the businesses. These strains aren't present in B2C payments but still require businesses to ensure that they understand the complexities of payments at a local level to each region they operate within. The right payments partner that understands the complexities and has experts on the ground to offer support at a local level can help businesses to manoeuvre around the risks, barriers, and challenges with technology-driven payment corridors.

Varying and fragmented data formats

Payments are made through messages between financial institutions to update both the accounts of the sender and the recipient. Within the messages is information to confirm the identity and provide legitimacy of payments. However, the data sent within these messages differs due to varying data standards and formats across jurisdictions, systems, and networks, creating elongated processes. Due to the complex nature of data formats, the process is far more difficult to make automated, as countries aren't synergised.

Compliance checks

Regulations waiver globally, making it harder to implement regimes to screen for financial crime. But with rising crime numbers, the pressure on staffing to complete transaction checks is at an all time high, and so transactions can sometimes be checked several times to ensure that the involved parties are not involved or exposed to illicit activity.

Historically, banks have used third parties or different sources for producing compliance checks, adding the complexity of another intermediary to the chain. Using alternative sources has resulted in transactions being incorrectly flagged and more time-consuming as payments are delayed or rejected.

Limited operating hours

Settlements are updated during hours of operation, which are dependent on the time zones. So, for example, a transaction from London to Singapore would be halted by its 8+ hour time difference. In instances where the relevant information is provided, this may not be as time-consuming, but in the majority of cases, more information is needed before approving a transaction which results in a back and forth between parties in their relevant operating hours—creating extensive delays. The incomplete transactions remain in the cross-border corridors, whilst new payments continue to filter in and consequently result in delays in clearing and settling cross-border payments, particularly in corridors with large time-zone differences.

Additionally, banks then need to hold enough cash to cover additional or unanticipated costs for the fluctuations of foreign exchange rates. This trapped liquidity increases the overall time and cost of cross-border transactions, and it is often the end-user who absorbs the costs.

Long chains

Transactional chains have developed due to banks' restricted capabilities. The absence of technologies and innovations has resulted in banks turning to several third parties to fulfil tasks needed in each respective jurisdiction. However, this model has long transactional chains that have high costs and delays from validation checks and the absence of data.

Legacy technology platforms

Many of the legacy platforms which have been supporting cross-border payments were built in a paper-based era, when payment processes were only just migrating to electronic systems. Consequently, these platforms still function between digital and paper trails, which have limitations on processing, real-time monitoring and restricted data processing capabilities. The multifaceted function of legacy systems creates trapped liquidity and hinders settlement times.

Compliance

Each country possesses its own regulations and laws to protect and govern payment processes. All businesses must comply and the failure to do so results in fines, penalties and reputation damage. Additionally, individual jurisdictions often choose to impose additional regulatory requirements on foreign operators, such as foreign equity caps and data residency rules. These further the gap in the misalignment of data frameworks, making it harder for platforms and countries to function in tandem. Regulations also evolve in tandem with changing demands and global evolution, which requires conscious effort from banks and businesses to stay abreast of the regulatory activity. Failure to do so results in fines from regulatory bodies and customers leaving to seek alternative solutions which adhere to compliance and regulation so they can successfully move money across borders.

Costs

In order to facilitate a quick settlement, banks are expected to provide the funding in advance, in multiple currencies. This places banks at risk, who have to set funds aside and risk additional fees, or the uncertainty of when incoming funds will be received. This position of 'overfunding' raises costs internally, as a mitigation of risking a delayed settlement due to insufficient funds.

Additionally, the possession of multiple currencies creates risk due to the conversion rates fluctuating constantly. Converting currencies in the foreign exchange market for banks and businesses can be expensive and time-consuming. Therefore, businesses must take extra precautions in relation to exchange rates and fees when processing cross-border transactions. Its variable nature is often a risk and cost spread by a financial institution or intermediary, in addition to adding their own transaction costs. The negative impact of the lack of transparency of rates and fees is one of the most influential factors causing frustration for all parties involved.

Operational risks

Operational risks broadly relate to the existing issues and deficiencies in systems, data processes, internal processes and beyond. Whilst it is a broad term, the cross-border payment channels are laboured with over-staffing due to a lack of automation and laboured processes that ramp up costs.

Within these processes, a point of failure and risk are the gaps which are overlooked in the incumbent processes and leave space for cyber attacks that cause operational disruption. In the traditional infrastructure of cross-border payments, these risks were less likely to be identified before occurring and so the response was always a reaction rather than a preempted response. Consequently, payments have been halted, funds have been lost and information has been leaked. With rising internet penetration at a global scale, cross-border payment processing requires critical considerations around security.

Why There Is a Need to Change Cross-Border Payments

Cross-border payments are the backbone of changing dynamics—in our economies, the services available to us, our development, infrastructure and beyond.

At present, the global cross-border landscape is at the centre of several trends that could fundamentally change the way we live and function as a society. With increasing internet penetration and use of smartphones giving us digital access 24/7, demands have grown at a rate that businesses are struggling to meet.

Factors that have been intensifying over recent years include:

- changing foreign exchange and regulations causing confusion and delays
- businesses expanding their supply chains internationally
- cross-border asset management and global investment flows
- e-commerce
- migrants sending money via international remittances

These trends have increased the demand for cross-border payments and that are efficient and safe. And international remittances play an essential role in low and middle-income economies that are growing. So the need for faster, cheaper, transparent and inclusive cross-border payment processes will support growth and revenue expansion, global development and financial inclusion.

Areas to Address

Speed. The time it takes to receive funds in a cross-border payment.

Cost. The total cost of sending a cross-border payment for the payer and payee. This includes transaction fees, FX conversion rates and fees, account fees and pre-funding liquidity

Transparency. Availability of advance information in relation to cost, speed, payment statuses and risks related to the transaction

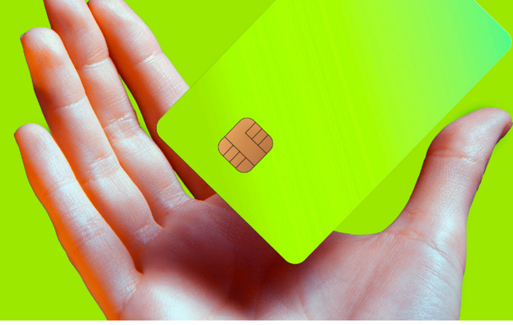
Risk. Having structure, policies and procedures in place to instil trust within the cross-border payment processing. These include:

- security controls around data;
- regulatory frameworks;
- governance to outline rights and obligations of all users, providers, payers and payees.

Digitalisation is the priority

Almost three quarters of global organisations place digitalisation as their leading priority in 2022, up from around half in 2021.

* Statista.com



What's Being Done to Improve Cross-Border Payments?

The magnitude of cross-border impact on economies has positioned it as a high priority for organisations and bodies internationally. Whilst we see end-users and businesses turning to payment service providers and non-banks for access to clear, simplified corridors; at a larger scale we are seeing the development of existing services to make cross-border payments more accessible. The largest step towards making international payment corridors more accessible has been the G20 Roadmap for Enhancing Cross-Border Payments. Created in 2020, the G20 leaders founded a roadmap to drive ambitious targets for cheaper, faster, more transparent, and accessible cross-border payments. The G20 is working alongside parties such as the Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures have created the roadmap in response to the 19 building blocks which are set to improve cross-border payments globally by addressing each area of friction.

The building blocks were grouped into five areas of focus:

1. Commit to a joint public and private sector vision to enhance cross-border payments.
2. Coordinate on regulatory, supervisory and oversight frameworks.
3. Improve existing payment infrastructures and arrangements to support cross-border payments market requirements.
4. Enhance data and market practices to increase data quality and straight through processing.
5. Explore the potential role of new payment infrastructures and arrangements.

Progressing through each stage of the roadmap we are seeing the industry striving to reach the **G20 target cost for a payment—3% by 2027**. In order to achieve this target, along with the 19 building blocks, the G20 are having to interweave collaboration between governments, regulators, and the industry. The ISO 20022 standard will accelerate the push towards real-time payments when it is adopted globally, bringing a commonality in data sharing and standardised approaches to anti-money laundering (AML), countering the financing of terrorism (CFT) and know-your-customer (KYC) protocols.

The collaboration of numerous parties, regulators, and bodies in the public and private sector will bring a plethora of insights and practical expertise which will shape new policies as the G20 delivers change in cross-border payments. Particularly in light of the COVID-19 pandemic, there has been greater light shed on the need for open payment corridors that allow overseas payments that are safer, smarter, simpler, and faster than they have been.

The Core of Cross-Border Expansion

Fintechs, like Unlimit, offer products and services that make cross-border payments and international expansion more accessible and simplified. At the core of cross-border payments, the main pillars to create successful interoperability are speed, cost and efficiency.

As mentioned previously, cross-border payments hold more risk and expense than domestic payments, and that's why it's key for any business to make the right decisions when seeking the most optimal way to make an international payment:

- Multiple payment methods for business **efficiency,**
- **Speed** of which you can send and receive funds,
- **Cost-effective** payment options and methodology,
- High **security** standards guaranteeing safety and control.

SPEED	HIGH SECURITY
COST	EFFICIENCY

Solutions for Cross-Border Payment Processing

For business success, the understanding of challenges in cross-borders and the solutions available to overcome them is essential. The payment processing of overseas transactions can be challenging and require due diligence to currency conversion, security measures, and regulation-based compliances; and by placing importance on these factors, merchants can ensure a secure and smooth payment transaction experience for customers. Paying close attention to the products and services which are available to simplify cross-border transactions, largely facilitated by fintech providers, can bring successful navigation of international payment corridors to create a positive experience for customers.

The main products and services currently available to create close-to real-time cross-border payments, include:

Secure Payment Gateways

Secure payment gateways offer businesses safer ways of ensuring payment information is being handled with the utmost care. With data use being a prime concern and consideration for customers, these gateways are laden with prevention tools and risk mitigation tools, such as fraud detection, encryption and tokenisation.

Foreign Currency Exchange Services

Exchange bureaus and services help businesses to manage currency conversion with fewer risks around the continually fluctuating exchange rates. A popular choice for many merchants, these services are known for their competitive rates and lower fees compared to traditional banks.

Compliance Management Software

Businesses trying to navigate the wavering levels of regulatory compliance, combined with local regulations and laws have struggled to remain abreast. And so the utilisation of compliance management software has risen as a favourable choice for businesses completing cross-border transactions. The solutions offer automated compliance processes with real-time regulatory updates, offering assurance to businesses that they are in compliance with local protocols.

Emerging Technologies in Cross-Border Payments:

However effective current services are, there is a remaining need to continue the optimisation of cross-border payments to create near real-time payment transactions through simplified, trustworthy interoperability.

And **it is the presence of digital access points such as alternative solution providers who are opening up new channels for international payment corridors with faster, cheaper, and transparent cross-border solutions** that are rapidly gaining competitive advantage over banks.

Evolving and growing technologies are appealing to businesses, bringing them the features they seek most to create seamless transactions globally; including speed, fraud management capabilities, availability of relevant payment methods, ease of integration, and FX management. Advanced technological innovations now provide comprehensive solutions to facilitate global payments, with the ability to hold, store, and move money. From blockchain technology to cryptocurrencies and AI to CBDCs, providers are racing to develop solutions and services that meet the ever-growing needs of the cross-border payments industry.

The main driving forces in fintech products are:

- Speed of receiving payments
- Easy integration
- Available payment methods
- Fraud management and risk mitigation

Technologies for Interoperability

Looking towards advancements which will further the connectivity among cross-border payment corridors, new advancements in payments and innovations offer alternative means to make safer payments. The top innovations we have noted that will revolutionise cross-border payments are:

Blockchain

Payment networks on the blockchain will be able to reduce the need for intermediaries and centralised governments, thanks to their decentralised nature. With the growing use of data being placed on the blockchain, the ledger can take the place of counterparties and facilitate value in exchange of currencies and connect transactions globally. It is through the technological structure of blockchain which validates payments through open computing networks. And therefore users will be able to validate and maintain a payment infrastructure which sits on the blockchain in a fast, transparent and cost-effective way. Blockchains remain open, giving greater visibility over transactions for users to track their funds in a secure way. Additionally, the decentralised nature will reduce the risk of fraud as blockchain transactions can be verified and tracked which will deter cybercriminals.

The greater benefit is the nature of blockchain technologies which are not managed by Central Banks and can instead complete a transaction without the need of any incumbent institution or alternative party. **By eradicating the need for intermediaries, blockchain technology can reduce costs of cross-border payments and make them more accessible for individuals and businesses.** And in tandem with lowered costs, the time needed to settle international payments can be reduced because of blockchain transactions being able to settle without the need for intermediaries or regulatory control. Blockchain has the potential to therefore add greater value to cross-border transactions, whilst removing the volatility of additional costs and timescales of receiving payments.

Stablecoins

Stablecoins are asset-backed cryptocurrency, in which the value of the coin is stabilised by a fiat currency that is held in a financial institution. Their 'stable' value could serve both customers and merchants by offering a low-risk currency that can be exchanged between any consumer and business, and offer assurance to end-users who have expressed reluctance over alternative currencies. **Backed by a 'real world' asset, stablecoins also have additional transparency and security over fiat currencies because each transaction is noted on a blockchain that is open.** So both the sender and recipient are able to track their transactions with full visibility until completion. Additionally, stablecoins are a cost-effective solution for both individuals and businesses who are moving money because of the removal of bank processing fees for international transfers.

Therefore there is a considerable chance that as cryptocurrency becomes regulated, stablecoins can be used in cross-border transactions to evade fluctuations and volatility in pricing. Currently there is less reliability in stablecoins, as they are not as present as other forms of cryptocurrency. Nonetheless, there is potential for stablecoins to be used internationally, reducing remittance challenges and bringing fluidity and speed to cross-border payments; therefore this emerging technology opens up the conversation of the use of digital currencies to be used as a preferred method for international payments at a global scale.

Digital Currencies

Digital currencies are prolific within society already, with numerous fiat institutions seeking to create their own central bank digital currency (CBDC). **The electronic currency offers the promise of instantaneous value transfers across borders and jurisdictions, as well as mitigating intermediary banks and regulators because** they are currently driven largely by the private sector. Whilst the regulations around digital currencies are sure to change in coming years, they still hold phenomenal potential in reducing costs, time, and complexity by drastically reducing the number of parties needed to settle a payment. Currencies like CBDCs and digital currencies are able to be settled instantaneously because of their digital nature, which combats the issue of payment settlements taking between numerous hours to several days. Moreover, these alternative currencies are delivered through a 24/7 digital system, meaning that time differences and manual checks/processes are no longer necessary—cutting timeframes dramatically to a point where real-time settlements could become achievable.

Additionally, the digital nature of the currency bears lower risk than having to transfer physical cash; and if partnered with blockchain technology, users could see a radical reduction in the number of counterfeit payments and fraudulent transactions. Conversations among financial bodies have addressed the potential for digital currencies to become the primary currency for cross-border payments in the future. The capabilities around digital currencies, such as foreign exchange conversion layers, AML, and CFT compliance, could make it a practical solution to interlink payment rails globally.

AI

Artificial intelligence is the capability of a machine to perform tasks that mimic human intelligence, such as decision-making, speech recognition, and perception. AI has been used in cross-border payment rails for some time, but still holds endless potential to create efficient processes and optimise communication between banks, parties, and regulatory bodies to deal with transactions. AI's ever-learning nature offers great promise to utilise automation to evolve, which will process transactions faster and with less errors, whilst adhering to complex regulations that vary globally. AI is used to enhance security in products and services globally, and cross-border payments are no different. The use of artificial intelligence in cross-border payment rails will help to identify suspicious activity and irregular patterns in the payment network to detect fraudulent transactions early on. This will save users and businesses millions of dollars by reacting to threats before a transaction settles, rather than individuals footing the cost of lost money and extra time whilst the transaction is investigated.

Additionally, AI will enhance customer experience and reduce the amount of time needed in a transaction settlement as its functionalities can be used to verify payments automatically and use compliance-related functions, such as anti-money laundering, to speed up processing times. **All-in-all users of cross-border payment rails will have an improved experience with the benefits of AI—helping to reduce pressures on payment corridors, cut settlement times, minimise risk and offer greater interoperability.**

APIs

Application programming interfaces (APIs) are already a favourable choice at an international scale for businesses. Their value-added, easy, plug-in nature makes seamless integration and payments possible within shorter timeframes for consumers. A preferred choice by many, APIs bring a wide portfolio of payment methods that facilitate access to new markets at a global scale. Designed by fintech's, users are able to access real-time visibility to systems that manage transactions and mitigate risk across global accounts. So, businesses are able to grasp better control and visibility over payments in a plethora of currencies.

Fintech providers have been offering API integrations to businesses for years, and have therefore established a reputation of reliability and accessibility to global markets through diversity in payment options. As the industry continues to progress and creates clear payment rails through advanced technologies, such as SWIFT, virtual accounts, and KYC, the beneficiary and sender are given greater visibility and transparency over payment statuses'. The speed of API integrations and stackable nature enables businesses to scale their capabilities and products quickly; allowing customers to pay for goods and services internationally whilst businesses manage their funds through multi-currency accounts, with stable FX rates.

"

The push for interoperability has seen more digital innovations being embedded into traditional clearing rails, to improve existing processes for cross-border payments. Creating new innovations and solutions, such as real-time payments and digital currencies, has enabled a speed of transformation in cross-border crosses that we've not previously seen.

The drive of innovation and digital alternatives will continue to revolutionise global payments, particularly with the presence of a variety of non-bank payment methods.

Collaboration between technologies, regulatory bodies, products, and governances will provide rapid global expansion that meets the needs which are applying pressure to cross-border channels.

"

Jovi Overo

Managing Director of Unlimit Banking-as-a-Service

Why go fintech?

Innovation and growth is ongoing across the payments industry, and businesses are showing a thirst for change and willingness to try new methods that offer speed, convenience and cost-effective options. Fintech providers lead the revolution in payments, and cross-border transactions, because of their payment expertise in global markets. Offering multi-currency solutions that boast clarity, lower cost, and higher reward for businesses and customers will give any merchant the edge over competitors. For businesses who seek expansion through a reliable and single provider—fintech's, like Unlimit, offer global coverage to help cross-border transactions feel as simple as domestic transactions.

Customers are Shaping Future Services, Not Providers

Cross-border payments were previously defined by the agreements between banks or key providers. But when considering the market is now saturated with payments ranging from B2B, B2C, C2B and C2C we realise the extent in which the payments landscape has evolved to suit the needs and demands of customers of all kinds and localities.

For the right provider, creating a product that facilitates payments at a local and international scale is not based on random observation. From our experience as a leader in the fintech industry, we have watched our customers describe the transparent and seamless experience they want, as they relay their business' customers needs to us to optimise their business operations. This poses an interesting dynamic—whilst any end-user of cross-border payment rails is a customer, they use the system for personal or business gain, and it is the evolution of customer experiences which shifts the innovations and services which will be available to us in the future.

Added value, customer service, satisfaction levels, brand loyalty rewards and ease of access are a few examples of service that customers look for in addition to reliable payments, availability of preferred payment methods, real-time visibility, and competitive rates. And in the competitive world of commerce and growing alternative methods for making cross-border payments, businesses are expected to be able to provide the right concoction of services and added value services. With greater digital penetration and the rise of the smartphone age, standards have grown beyond the walls and capabilities of traditional brick-and-mortar players. Customers, from both retail and corporate spaces, show clear interest in adaptable transactions which can be used across multiple devices, timespans, localities, currencies and reach the settlement destination globally in real-time. The complexity lies in that large organisations tend to have an established infrastructure at localised levels, which is harder for smaller players and retailers. Thus the end-to-end experience of facilitating an end-to-end cross-border payment can feel near impossible without the support of a third-party facilitator.

In order for solution providers to innovate, data on cross-border transactions need to be collated to overcome sticky points in cross-border corridors, and a dominating influence is customer experience. As solutions and services arise that enable international payments with functionality that simplifies the process, cuts cost, and offers better visibility—what is to sway a customer to pick your product over a competitor? User experience.

Personalisation in the financial industry has been a driving force for innovation, pushing organisations to meet customer needs whilst engaging across borders with a personalised experience. Cross-border payments are no different but pose bigger challenges for the financial institution facilitating the payment. We have seen a growth in customer experience, as fintech products have brought the underbanked and unbanked access to global payment rails, and the acceleration of payments in local currencies at a global scale. And the need for continual optimisation will continue to bring stronger infrastructures which can be easily integrated into business processes. In turn, customers will reap the benefits of faster transactions, greater payment options, payment transparency, protected transactions, lower additional costs, bulk transaction capabilities, and more.

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ASIA

The payments network in Asia is one that is growing exponentially but remains fragmented. Compared to the West, the financial system is less developed and holds a more conservative stance, but Asian countries continue to make effective attempts at introducing new technologies to build upon their cross-border payments systems and services. For example, Singapore launched the FAST system in 2014, which was later merged with SWIFT in 2019, and successfully shortened cross-border information transfer time to 13 seconds. Most recently the Central Banks of Indonesia, Malaysia, Philippines, Singapore and Thailand joined in a Memorandum of Understanding (MOU) to enhance Regional Payment Connectivity (RPC). Signed in November 2022, the collaboration is expected to make significant changes in accelerating regional economic recovery and facilitate positive growth on a wider scale of inclusion. The MOU will better serve the cross-border payment infrastructure, encouraging cross-border trade, investment, economic development, speedier remittance and opportunities for small and medium enterprises.

The vastness of Asia inevitably means contrasting ways of paying and managing business. Digital payments across Asia have created lucrative opportunities for businesses and payment providers across the continent. The growing use of e-wallets have become popular, with credit and debit cards, bank transfers, and cash-on-delivery coming up behind. Now we see other players gaining considerable share across the continent, with AliPay from China, GrabPay from Singapore, Paytm from India and Touch 'n Go from Malaysia.

Additionally, the Asia-Pacific region has seen unparalleled growth in e-commerce, becoming one of the biggest drivers for e-commerce sales and pushing the Asia-Pacific market capitalisation to approximately $31 trillion in 2023. Whether influenced by the pandemic or not, the market is a hub for interoperability both within the continent and overseas. This can be seen in the collaboration between The Monetary Authority of Singapore (MAS) and the Reserve Bank of India (RBI), who have linked Singapore's PayNow and India's Unified Payments Interface (UPI) to strengthen cross-border payments. Customers can now send and receive funds between the countries of Singapore and India in real-time to their bank accounts or e-wallets.

China

Chinese consumers have favourable use of smartphones and mobile-based payment platforms, such as WeChat. **In the e-commerce market, the number of users is expected to reach 1.33 billion by 2027, which is a user penetration of 93.4%.** And whilst e-commerce and m-commerce take the lead over Chinese social interaction, advertising, financial tracking, and transactions; credit card payments are slow to penetrate. Instead, the most favourable card scheme is China UnionPay (CUP), but users continue to rely on alternative payment platforms such as Alipay. Alipay is not only supported by China's national banks, but is available in different currencies, making cross-border transactions easier to use, with the ease of digital wallets.

Popular payments in China are:

Alipay, WeChat Pay, UnionPay, Bank transfers

Southeast Asia

Southeast Asia's payments and e-commerce market are booming, with **Indonesia's economy expecting to grow by 4.8% in 2023 and 5.0% in 2024**. However cross-border payments and commerce are still conducted in cash payments, with between 140–180 million Indonesians lacking access to a bank account. The Southeast Asian market still turns to more traditional ways of managing funds, through online banking, bank transfers, and over-the-counter payments. So international business is prevalent but the number of cards in circulation is lower than in parts of Asia, such as Japan.

Popular payments in Indonesia

GrabPay, Gopay, Dana, ShopeePay, Virtual Accounts, Alfamart

Popular payments in Philippines:

GrabPay, GCash, PayMaya, Cash payments

Popular payments in Vietnam:

Momo, ZaloPay, VietQR & NAPAS, Online banking

Japanese consumers use banking, card penetration and fast internet to their advantage.

Merchant advice...

While e-commerce has been well-established in developed markets, the pandemic has brought about a surge in e-commerce activity in emerging economies such as Latin America, Southeast Asia, and Africa. This presents a significant growth opportunity for cross-border merchants who are willing to expand their horizons beyond the traditional corridors, such as the US and UK. However, navigating the complex landscape of payment preferences, regulations, and taxation systems in these markets can be challenging. For instance, while cards are the preferred payment method in developed markets, e-wallets and QR payments dominate in these emerging economies. To capitalise on these growth opportunities and bulletproof the last mile of the purchase journey, businesses must develop a comprehensive payment strategy and partner with a fintech innovator offering forward-thinkingsolutions that take into account the market variations and unlimit them to go beyond borders.

William Ip

Head of APAC, Unlimit

Japan

Whilst debit cards are favoured for consumers in Japan, credit cards are also widely preferred and accounted for 96.3% of total card payments in 2022.

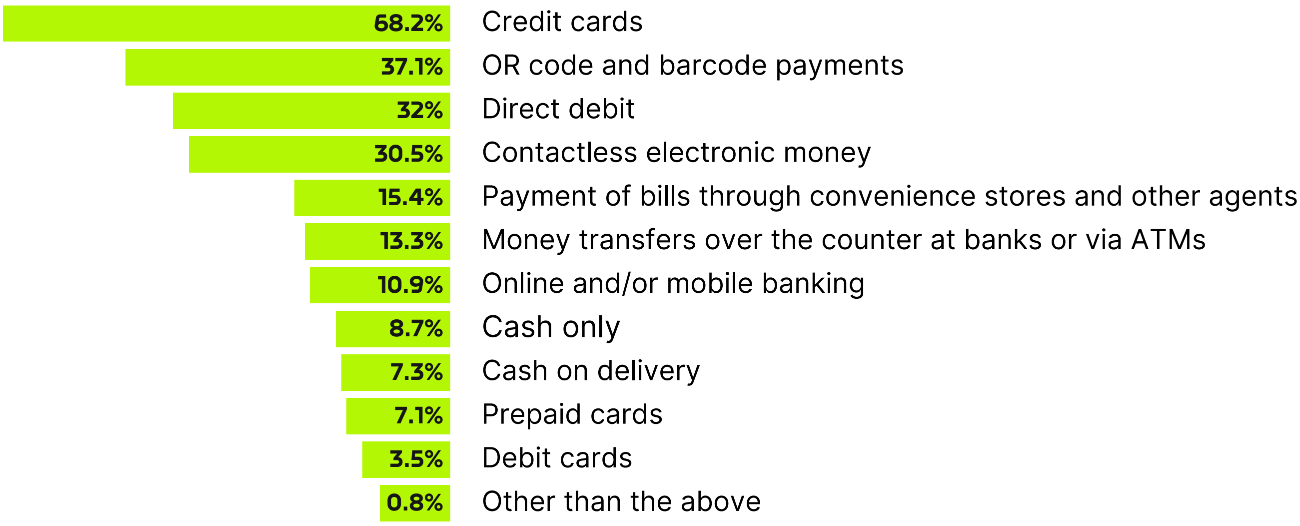
Foreign businesses easily engage with the country's consumer base, reaping the benefits of the digitally advanced society that prefers to make payments via card, online banking and even cash.

Entering Japan, and Asia as a whole, for business, poses challenges due to the intricate nature of their payments landscape. And so businesses need to cater to the languages and preferred payment methods in order to reach Japanese customers. Japanese markets are saturated with card payments which shows an opportunity for cross-border penetration, and their reputation for embracing technology makes the country a unique landscape, rife with continual opportunity.

Popular payments in Japan:

JCB, PayPay, LinePay, Bank transfer, Konbini, Pay-Easy

Most used cashless payment methods in Japan as of February 2023



* Statista.com

India

E-commerce in India has surpassed some of our more mature markets and become the third largest market in the world, and is expected to reach US$ 350 billion by 2030. This growth is monumental compared to the previously predicted US$ 74.8 billion for 2022.

Backed by the government, India is moving towards a cashless society and trying to encourage a "Digital India" which will not only bring more rural areas into financial inclusion but bring greater financial awareness and understanding for consumers to make payments, receive funds, and access banking services. This has been aided by the boom in Internet and smartphone penetration across the country, **with 692 million active users of Internet in 2022, with the majority of the growth coming from rural India (351 million users). The IAMAI and Kantar 2022 report predicted that by 2025, there will be 900 million internet users.**

Since 2014, the Indian government has announced numerous initiatives to support the growth of e-commerce in the country, at a global level. Some of the main initiatives include Digital India, Start-up India, Skill India, and Innovation Fund. Additionally, the launch of the National Retail Policy has found five key areas to be addressed to facilitate better functionality for offline retail and e-commerce. These areas include—ease of doing business, rationalisation of licence processes, digitisation of retail, focus on reforms and an open network for digital commerce.

Top payments in India include:

UPI, QR payments (BharatPe), Credit cards, Debit cards, Internet banking, EMI.

Previously the Reserve Bank of India (RBI) drove cross-border payments and decision-making powers across the country, and regularly shifted regulations in relation to payments and cross-border payments. The constant change of regulations meant that payment corridors were filled with payments awaiting settlement; stuck in the pipeline due to the murkiness of constant regulatory changes. Additionally, the lack of physical infrastructure across the country, such as the internet, the presence of banks, and accessible roads has limited the opportunity for cross-border growth. In more recent years, the government presence to improve cross-border opportunities and the emergence of fintechs offering low-cost solutions for alternative payments has alleviated strains and opened up corridors in and out of the country.

Fintech products have entered the cross-border payments ecosystem and offered Indians fast, affordable and secure methods of payments that don't rely on traditional bank networks. One of the largest payment methods across India is the Unified Payments Interface (UPI), which allows users to make payments quickly via smartphones without needing an IFSC code or account number. With little to no cost for customers for transactions, the maintenance is only their mobile data which they would have for their phones independently. Owned by the National Payments Corporation of India (NPCI), **UPI facilitates 99%+ success rate, quick, secure, and near real-time payments; and encourages cross-border movement** as users are enticed through the ease of transaction as less information and effort is required. Previously a distrusting community, India now functions on a transformed relationship with money, as UPI has combated trust issues with transparency in payments at a global scale. With payments being made through mobile phones and quick-scan interoperable QR codes—small, medium, and large enterprises are able to offer business across the world. Now, with UPI going global, merchants and consumers on both sides have a great opportunity to interact and transact in a seamless manner without being hindered by security, settlement, and delay issues.

Unified Payments Interface

In the past 6 years, we have seen UPI driving over 75% of the overall transactional volume in retail digital payments across India. Used to send money between bank accounts, users are able to send, receive, pay, and authorise payments through one interface through mobile phones. The UPI payment system was created by the National Payments Corporation of India (NPCI) to create simpler ways of moving money in real time and between different banks. The cashless transactions are considered safer than other methods due to their verification process and pin access, providing end-users with the assurance that their funds are not at risk.

The advantages UPI will have on cross-border payments:

- **Increased availability:** UPI services are accessible 24/7 which is imperative in a cross-border transaction, where time differences can cause delays by several days.
- **Process simplification:** Needing only the linked mobile number, transactions via UPI will be significantly faster and easier.
- **Faster transaction times:** Completion and settlements are in near real-time, meaning that irrespective of whether it is a domestic or cross-border transaction, UPI can potentially reduce transaction times and the risks associated with delayed settlements.
- **Reduce costs:** Additional charges associated with local taxes, cross-border fees, exchange rates, etc. would be mitigated by UPI as the interface would simplify the corresponding relationships between international banks. With faster settlement times and 24/7 movement, the resources and time required to complete transactions would lower significantly and thus reduce fees for banks.

In cross-border transactions, the presence of UPI is imperative to remove strain from payment corridors and support with fast settlement periods whilst removing pressures from a large number of participating banks. And as mobile phone access continues to expand through rural areas of India, the market is rife for cross-border opportunities, with businesses being able to access untouched regions of India which now have the internet, funds, and literacy to engage in purchasing.

Inward Remittance through BBPS

In its continued efforts towards a digitally inclusive future, the region saw the Reserve Bank of India (RBI) allow Bharat Bill Payment System (BBPS) to accept cross-border inward bill payments under the rupee drawing arrangement (RDA), to ease the transactional processes for non-resident Indians. **Remittances are already a significant contributor to India's GDP, making up 3%**, which in turn gives India a stronger external trade position, as well as making the country an enticing space for investment. This course of action gives access to non-resident Indians (NRIs) to contribute and manage utility, education, and other bill payments on behalf of their families in India. The Bharat Bill Payment System offers customers an interoperable platform for convenience, affordable fees, and a standardised payment experience. **Inward remittances have already surpassed the World Bank projections by $7.5 billion, and reached a total of $107.5 billion in 2022**, which is a massive surplus to India's external sector and helped to fuel global movement into the region.

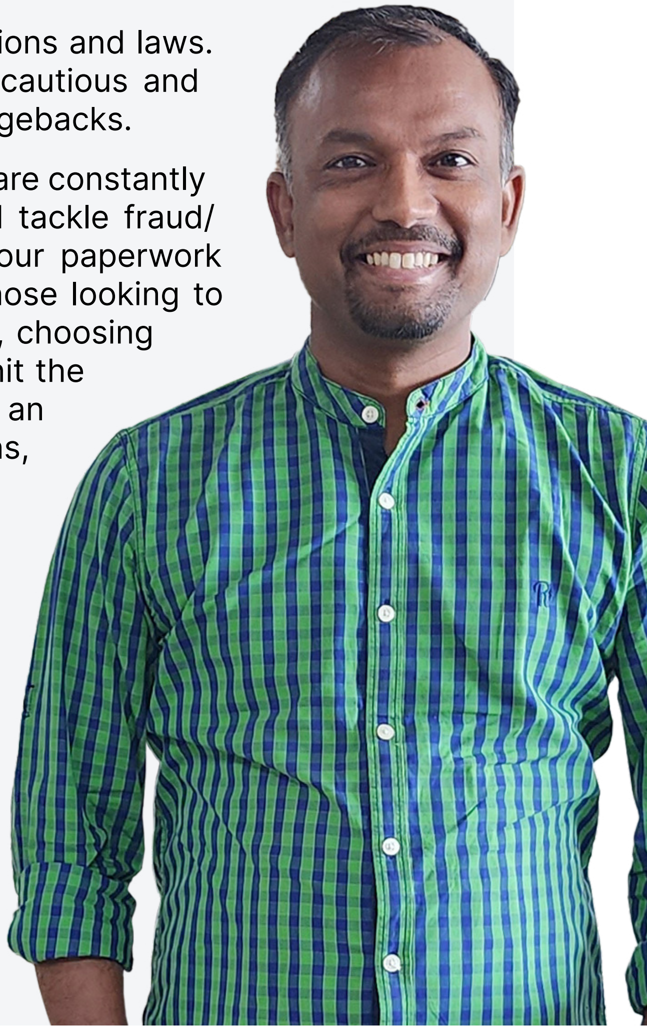
As RBI has been working towards regulating cross-border payments in order to create a simplified streamline through BBPS, PWC estimates around 30 million NRIs will benefit from the remittance implementation. Direct bill payments in India are now facilitated which avoids unnecessary delays from the previous process of foreign remittances being transferred to a KYC compliant beneficiary bank account, only through electronic modes. The transformation of bill payment experiences shows the potential of the region to revolutionise its digital payments ecosystem to reach new users across India and the world.

Merchant advice...

When entering India, be aware of specific regulations and laws. Remain abreast of security measures, and stay cautious and prepared for handling risks around fraud and chargebacks.

Cross-border access, processes, and regulations are constantly and rapidly changing to ensure optimisation and tackle fraud/AML concerns and so it is important to have your paperwork in order and be compliant at all times. But for those looking to seamlessly and conveniently enter a new market, choosing the right payment provider is the best advice to hit the ground running with the appropriate structure, an understanding of taxes and currency conversions, smart mark-ups and smooth settlement periods.

Additionally, in new areas, merchants can be exposed to risks, such as fraud, if unprepared. But the backing of an experienced payment provider will prepare and protect your business as you move across borders.



Asheesh Agrawal

SVP Product & Technology, Unlimit India

UK & EUROPE

Europe and the UK are some of the mature regions in relation to the payments landscape. With a high prevalence of online payments, and debit and credit cards maintaining their position as the most popular payment method, there are a number of local alternative payment systems which are rising in popularity with local audiences. With UK businesses making £5.5 billion in payments at a global scale, the UK stands strong on making payments within the UK, Europe and across borders through card. This is seen in the fact that 57% of all payments in the United Kingdom were made via card.

After Brexit, the UK had to seek new ways to navigate payments in its new sense of normality, where the rest of the EU now posed new regulations and operations. The split from the EU meant that the UK had to meander through the complexities of the European environment which was not there for them previously. Within the European Union, significant impact has been made in the last decade to bring harmony to money transfers between European countries and globally. However, the shift with Brexit brought regulatory changes, authorisation rules and licence changes that in essence cut off cross-border operations with the EEA. Many payment service providers had to tread new territory and for many providers and end-users, it felt as though complexities, costs, and frictions had increased. 3 years on, we see the UK and Europe still finding grounds of functionality between them.

Nonetheless at a global level, the risk of fintechs within European countries has brought greater opportunities for businesses expanding into the region, benefiting greatly from the neglect of traditional payment processes. Challenger banks, open banking, and digital wallets are backed by KYC and AML technologies, as British and European citizens maximise the rise of cutting-edge solutions. **The UK has the biggest e-commerce market in Europe, with 60 million e-commerce users in 2022.** Preference for PayPal and credit/debit cards has meant that cross-border transactions can be initiated with ease; however, it is the rising use of open banking that is rapidly taking the lead. **More than 2.5 million UK consumers and businesses already use open banking-enabled products.**

Popular payments in the UK:

Visa, PayPal, Mastercard, Apple/ Google Pay, American Express, Direct Debit, Open banking

Popular payments in Europe:

PayPal, Mastercard, Visa, Open banking, Klarna, Bancontact (Belgium, Giropay (Germany), Multibanco (Portugal), SEPA (France, Netherlands, Germany), Przelewy24 (Poland), iDeal (Netherlands)

Businesses and users can expect to see the cross-border corridors to the European markets opening up as UK and Europe's banks are taking steps into adopting ISO 20022 for all payment infrastructures; including Target, EBA, SEPA and SWIFT. The shifting business models are bringing new client expectations, faster adoption of APIs and rich data to add flexibility to payment corridors within Europe.

Merchant advice...

By looking at the EU/UK payments landscape, the infrastructure brings the greatest advantages in our market. Companies are already offered easy access to impactful payment solutions, filled with smart technology to make the complexity of payment ecosystems easier. Whilst card payments are still the most used method, alternative payment solutions, such as e-wallets, open banking, cash and crypto are rising in use.

To improve cross-border corridors in these regions, we must now focus on efficiency by bringing the range of solutions into interoperability, giving the end-user the power to make a decision on their payment needs and situation. The interchangeable use of payment methods across borders, with minimal risk and interchange fees will optimise efficiency and enable businesses to grow in new untapped markets. The United Kingdom and European Union boast diversity in being able to accept payments from almost any country, but this isn't the same at a global level, and we see the disparity between regions with varying regulations, accepted currencies, etc. For this reason, the need for both better interoperability and infrastructure that connects local regions at a global scale are vital.

Until that point, businesses within the UK and EU seeking to span across international waters can turn to well-established fintech providers who offer the solutions needed to build bridges to new regions. The right solution can instil brand trust, offer meaningful connections with goods/services providers and leave autonomy in the hands of the business.

Atis Ivanovs

Business Growth Lead, Unlimit

Unlimit

AFRICA

African revenue in the e-commerce market is projected to reach US$36.4 billion by the end of 2023. The rapid growth in mobile and internet penetration, an increase in financial inclusion, and a growing reliance on electronic payments, has all contributed to the growth of e-commerce on the continent. There were 570 million internet users across Africa in 2022, with the largest concentration being in Nigeria which accounted for 100 million. However, issues still remain around the dominance of cash, a lack of cross-continent harmonisation, a lack of trust in the security of online payments, a lack of trust in the authenticity of online merchants, and regulatory and logistical issues.

The introduction of innovative payment methods has become significant in supporting service industries within Africa, such as ride sharing/e-hailing, online purchasing (e.g. bill payments and airtime), and media streaming. The ability to pay for services online has developed a level of trust in end-users, as these services are immediately available for consumption i.e. there is no delay between the payment of money and the receipt of services. However, hesitation still exists around online purchasing of goods, for which there is a delay. The problem is that money leaves the customer's account before the delivery of goods — leaving the customer without their funds and without their paid-for goods, for a period of time. It is this time delay in which there is a trust deficit.

Historically goods purchased online were paid for using cash-on-delivery but with the introduction of online transfers, digital wallets, and QR code payments, people have started to move towards online payment solutions and away from cash.

Whilst the development of e-commerce on the continent, supported by advances in payment technologies and methods has grown in leaps and bounds, Africa's share of e-commerce as a proportion of global e-commerce remains relatively low, despite improvements in technological infrastructure and access. Mobile phone penetration has been a significant catalyst in the movement of money and the growth of e-commerce. The increase in 4G and 5G network coverage has facilitated the presence and adoption of more sophisticated payment methods. For instance, **the percentage of smartphone adoption in Sub-Saharan Africa in 2022 was 51%, and is expected to reach 87% by 2030.** Consequently, there has been an expansion across several industries, driving economic growth, in sectors such as agriculture, education and e-commerce. This is because the merchants conduct trade and payments via their mobile devices.

Main issues hindering the growth of cross-border trade in Africa:

- **Policy.** Each country has its own set of regulations and policies with regards to foreign trade and tariffs. This complicates cross-border trade.
- **Trust.** The level of confidence between local people and e-commerce websites is low, with several contributing factors. Firstly, there is concern over the legitimacy of websites and whether the online business is genuine. Secondly, the transaction security, which determines if their card or online

payment details will be compromised. If consumers make an online purchase, the concerns around the delivery of goods still remain. For example, will the delivery vehicle be able to deliver the goods without the hindrance of logistical issues, e.g. potholes, reliable fuel sources. Moreover, consumers hold concerns over the ability to return goods for a refund in the event they wish not to keep them. Each factor contributes to the lack of trust across the majority of the continent, aside from South Africa which boasts a mature e-commerce market similar to Europe.

- **Logistical problems.** The movement of goods and products across the continent is challenging and has seen difficulty with transport problems (such as road conditions, availability of fuel, quality of trucks), cross-border tariffs, and expensive entry requirements to countries. Therefore, the reluctance to engage in African cross-border payment transactions has remained, despite evolving regulations and technologies supporting international movement from and between Africa.
- **Cost and currency.** Due to the large number of countries on the continent, each with its own currency, the process of moving money between African countries is complex. There are import trade tariffs and taxes when crossing borders, in addition to varying compliance requirements. Those wishing to do business with Africa and engage in its numerous markets will be faced with local currency exchange complexities, requiring multiple conversions and a myriad of policies, transactional costs, and time constraints in exchanging funds. And, exchanging currencies between African currencies is an expensive process, requiring multiple exchanges. For example, to convert Nigerian Naira to Ethiopian Birr, users will have to first exchange it into USD, before exchanging to Ethiopian Birr, because there is no Naira to Birr currency pairing. These multiple conversions add to the cost and this currency pairing problem exists across the many countries on the continent.

Promoting Intra-Africa Cross-Border Movement

In response to some of the issues with cross-border movement as noted above, the African Continental Free Trade Agreement (AfCFTA) was devised to resolve intra-African issues by opening the borders for trade. The agreement was set out to facilitate faster and easier trade by removing barriers such as tariffs at borders, in order to facilitate seamless trade between African countries. **It is predicted that the trade agreement will increase Africa's income by $450 billion by 2034.**

Despite large barriers and slow growth rates, Africa has seen transformational growth with the presence of financially innovative companies, **and the growing penetration of mobile phones, which is expected to reach 700 million by 2025 million in Sub-Saharan Africa alone.** Currently, users benefit from access to payment portals where they are able to pay for services and transfer money securely. Additionally, African countries and African companies will be able to seize new opportunities. This, in turn, will support economic growth underpinned by Africa's large population and the number of people connected to the Internet. Despite the lack of banking infrastructures in rural areas in Africa, increasing mobile phone penetration has led to a growth in mobile banking, such as M-PESA in Kenya, which has facilitated the growth of mobile money to generate new revenue and seize new opportunities.

Potential in Cryptocurrencies

According to Chainalysis, Africa is one of the fastest-growing crypto markets. Digital currencies offer an alternative solution to protecting against currency devaluation. **Sub-Saharan Africa accounts for the least number of crypto transactions, representing 2% of global activity.** The popularity of the digital coin comes from the fact it is referenced to the US dollar, and with rising smartphone use cryptocurrencies are easily accessible. The people of Nigeria have shown a thirst for digitisation and have been quick to understand the benefits of adopting crypto which facilitates seamless peer-to-peer lending. **45% of the Nigerian population were using or in ownership of cryptocurrency in 2022,** equating to over 90 million users. For many, cryptocurrencies (specifically stablecoins) would have been a progressive step to facilitating both intra-Africa and global cross-border trade. However, across the continent of Africa, the perception of crypto varies from positive to negative, with some regions placing limitations on the use, and others banning the digital coin. With other global countries such as Turkey, America, Thailand, and Argentina thriving in the use of cryptocurrency, global cross-border transactions with Africa could be conducted through crypto—offering security, removal of intermediaries, and reduced costs of cross-border trade.

Central bank digital currencies (CBDCs) hold potential in the region for both intra-African trade and global e-commerce. The use of CBDCs to facilitate cross-border payments would offer better security as regulatory and supervisory frameworks can be implemented to regulate movement and mitigate risks of fraud and lower transactional costs. Additionally, the digital nature of the currency will support the interoperability of different currencies, by reducing friction and decreasing cross-currency settlement times. Following a meeting in November 2022, 13 African national and regional central banks discussed collaborations on a cross-border CBDC, and the impact on regulatory standards across the continent. Whilst CBDCs could bring a wealth of opportunities between African countries, and in the future with other continents, there will need to be in-depth collaboration to minimise the risk of anti-money laundering and to combat financial terrorism. Despite numerous African banks exploring CBDCs for domestic payments, with Nigeria being most advanced with its eNaira (launched in October 2021), there is a potential for international cross-border payments in the future.

Trade Blocs

Trade blocs have been established throughout the continent, bringing clusters of regionalised trading between countries within the blocs. Different from the African Continental Free Trade (AfCFTA), the trading blocs have segmented areas of the continent to boost trade and the economy by clustering countries together geographically. The Southern African Development Community (SADC) was established in 1980 to support the socio-economic status of its member countries, and currently has 16 member states. **The Common Market for Eastern and Southern Africa (COMESA) includes 21 countries, with a population of 560 million and combined GDP of $768 billion.** Founded in 1975, the Economic

Community of West African States (ECOWAS) includes 15 member countries that promote economic cooperation, boasting their own free trade area since 1990. The East African Community (EAC) was founded in 2000 by 6 member countries in the Great Lakes Region, establishing a common market for goods. In 2008, the EAC free trade area expanded into the SADC and COMESA regions, with a vision of monetary union. In each trading bloc, tax and tariffs are managed and designed to encourage trade and movement within the blocs. And so, the benefit of collaboration between trading blocs will support ideas and resource transfer, employment, welfare and inclusive growth. In the future, we could see stronger trade relationships between the blocs as they develop economically and build cross-border pathways in infrastructure and policy.

Africa's Popularity

Despite the complex markets within the continent, it remains a hub for businesses as it positions itself as the largest untapped market. The continent's economic acceleration is supported by its expanding young population who want exposure to new ideas and products; as well as the growing **population that is predicted to reach 1.7 billion by 2030.** The 54 countries within Africa all hold unique points of attraction, drawing in various businesses and industries from across the world. Whilst cross-border payments have been slower to progress in the region, compared to other areas of the world, Africa is set to outperform the rest of the world in economic growth over the next two years, with real gross domestic product (GDP) averaging approximately 4% in 2023 and 2024. Merchants entering the continent will be welcomed with boundless opportunities and potential for cross-border business, however the need to build trust in digital financial payments that steer away from cash will be imperative. In doing so, businesses will need to work at a local level to establish their brand and presence, before expanding across the region. Currently, the continent is in a stage of growth, but it lags behind other regions with stronger infrastructures, which leaves B2B and B2C e-commerce underdeveloped.

Merchant advice...

Africa is a large continent geographically speaking. To put it in perspective, The United States, China, India, and Mexico combined, only cover 82% of Africa's area, which is 30.37M sq km.

With this in mind, and in order to be successful on the continent, merchants must take a country-by-country approach and refrain from treating the continent as a single market. Each country should be handled independently, taking into consideration the varying levels of development, internet access, infrastructure and policies, and the economy. Merchants must do their research and perform country visits and speak to experts to build their business case. This will minimise risk and maximise the chance to be successful. Merchants dealing in physical goods should also consider the local country infrastructure to determine what challenges may arise so that solutions can be found before commencing operations. Plan to start in one country, make it a success, and then move to the second country. If you try to launch too many countries simultaneously you risk expanding too quickly and might not be prepared for or able to deal with unplanned issues, which will arise. Working Capital costs are still fairly high and you risk tying up too much working capital into your operations if you expand too quickly, before being able to prove that your business case or business model works.

There is an African proverb that states: "The only way to eat an elephant is one piece at a time"—this is good advice when it comes to Africa.

Trevor Goott

Director of India and Africa, Unlimit

Unlimit

LATIN AMERICA

The focus on localised policy in Latin America has made the region a strong potential for growth and attractive to e-commerce enterprises.

Currently the value of e-commerce in LATAM is growing with a year-on-year growth of 15.4% but is expected to reach over $254.3 billion by 2027. The obstacles with cross-border transactions for those overseas is the expectation that Latin America functions in unison, however regulations and processes vary, creating impediments for international brands and users with connections across the region. With 20 countries in Latin America having their own infrastructure and regulations, traditionally financial services were concentrated through main banks and cash.

However, change was called for by consumers facing frustrations with both domestic and cross-border transactions. Post-COVID-19, the world as well as LATAM have placed relevance on the world's abilities to become borderless and strive to maintain the ability to complete business and transactions from anywhere, at any time.

And with this, fintechs have been major players in the LATAM region, offering investment opportunities and new rails for global payments and the movement of goods and services. And with only under 55% of the population having access to a bank account according to the World Bank, there was an increased demand for alternative payment methods. For example, the launch of Pix in Brazil, the instant payment method from the Central Bank of Brazil, gave access to more than 60% of Brazil's adult population and accounted for 29% of payment transactions in e-commerce during 2022.

Latin Americans have now begun to pursue their venture into crypto assets, **with 86% of Latino consumers having used at least one emerging payment method in the past year.**

Popular payments in Brazil:

Debit card, Credit card, PayPal, Pix, Boleto Bancario, Apple/Google Pay

Popular payments in Mexico:

Cash, Bank transfer, Visa, Mastercard, American Express, SPEI

LATAM's appeal to businesses pushed growth of e-commerce which resulted in the arrival of alternative payment methods at an equally accelerated rate. APM's have given Latino's the opportunity to bank, move money, receive payments, and monitor their finances, without the need for a traditional bank. In Mexico, the equivalent of Pix is **SPEI, which throughout 2022 registered more than 2,610 million transactions; an increase of 42.1% compared to just over 1,837 million in 2021,** according to the National Commission for the Protection and Defense of Users of Financial Services (Condusef).

LATAM has seen a rise in the number of digital wallets, with users across Brazil and Colombia using digital wallets as a favourable source of fund management. The essence of fintech and alternative payments in LATAM have acted as a tool for inclusion. Local unbanked consumers in the region have heavily depended on cash-based methods like Boleto in Brazil and Oxxo Pay in Mexico; and whilst alternative digital payments are on the rise, businesses must remain aware of the relevance of the traditional payment methods which remain prevalent to Latin consumers. However, with the rise of fintechs in the region and the launch of new financial services that are becoming more and more accessible, people are increasingly preferring digital payments.

Merchant advice...

Driven by an increasingly digital population, growing smartphone penetration and local fintechs, Latin America is now the big market for local and global e-commerces looking to tap into a market where e-commerce is forecast to grow 29% between 2020 and 2024.

There is a great market opportunity both for Mexican e-commerces that are becoming larger and stronger and want to conquer new consumers in other regions, as well as for companies seeking to expand their operations in Mexico.

Ignacio Morales

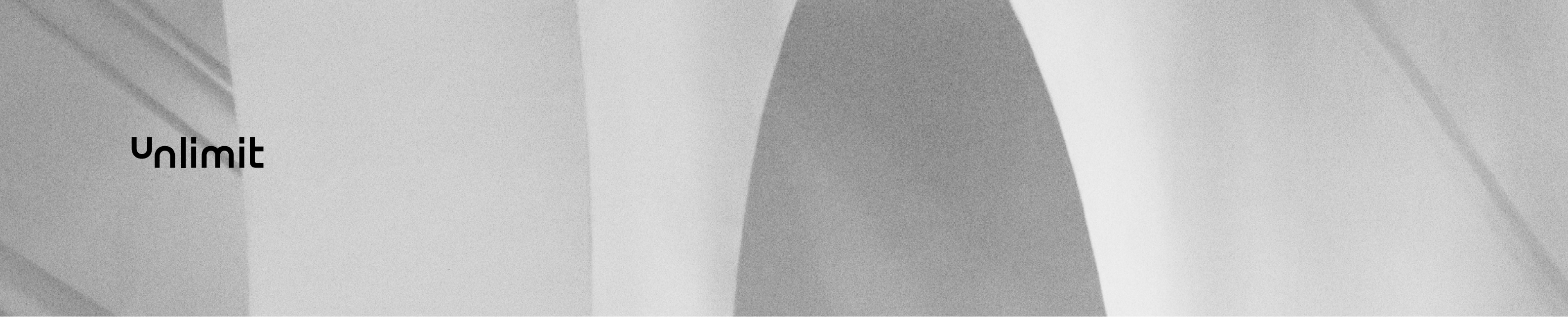
Head of Mexico, Unlimit

Alternative payment methods (APMs) are increasingly gaining traction in the region and for cross-border transactions, the APMs can facilitate easier movement of funds. We have already seen great evolution with local payment methods in Latin American countries, such as digital wallets, but also with localized cash payment options such as Boleto in Brazil and instant payment methods such as SPEI in Mexico and Pix in Brazil.

The "localisation" of payments not only provides a better customer experience, but also greatly strengthens the company's efficiency. Local payment processing increases transaction approval rates, streamlines processes and makes the entire payment phase much more agile and secure for both the customer and the company. It is also important to highlight that adoption of new instant payments as Pix in Brazil was streamy high and achieved a population that did not have credit cards. It's expected more features for this type of payment, such as Pix with installments for example, that can cover a wider spectre of the market and facilitate the shopping experience in all channels.

Lucio Vargas

Head of Brazil, Unlimit



Harness Opportunity with Unlimit

Unlimit provides businesses with a global payment infrastructure that goes beyond borders to help businesses win. With experts on the ground to continually develop our localised knowledge, we help businesses reach new heights with the ability to accept and make payments in a myriad of currencies, with no intermediaries. Our products and services include payment processing; banking-as-a-service; and on/off-ramp crypto asset processing.

At Unlimit, **we're known for removing borders through payments.** With international presence, we're able to support businesses across the world with a localised level of knowledge to give them the best opportunity at engaging with new markets. Partnering with Unlimit for borderless payments can help your business:

Add greater value to your customers. Through competitive pricing and access to our stackable solution, we remove the need for intermediaries which will cut the costs which benefits both you and your customers. Our niche is payments, and so we've used technological innovations to optimise payments, whilst also delivering competitive pricing and data capabilities for your business to create personalised customer experiences at a global scale.

Expand service offerings. With a broader range of payment options for your business, and new opportunities at a global scale, merchants are able to expand their reach and tailor their products and services to optimise their business at local and global levels. Additionally, being able to accept multiple payment methods quickly and securely boasts a seamless experience through your brand.

Enhance your reputation. Through Unlimit's API integration, you can manage transactions securely, and enhance security layers to mitigate the risk of fraud. Boasting rigorous compliance with all regulations, your customers can complete transactions (both domestic and cross-border) with peace of mind.

Make cross-border payments. With Unlimit, borderless payments are easy across LATAM, APAC, Africa, Europe, and the UK. Already trusted by thousands of customers, we are established at a local level in each region to ensure we provide customers with products that are relevant, optimised, and ahead of the curve. And we remove obstacles and intermediaries so businesses can focus on their core whilst relying on our in-house infrastructure to carry them to new heights.

Unlimit

Find out more

unlimit.com