

UNLOCKING INSTANT CROSS-BORDER PAYMENTS IN APAC

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Introduction

While demand for instant cross-border payments is growing rapidly in Asia Pacific, many banks have been slow to adapt to the changing landscape, not least because of the limitations of legacy systems. To compete effectively in this landscape, banks need to embrace modern payment systems that will enable them to stay ahead of the changes driven by agile fintechs and regulatory institutions.

Demand for cross-border payments is continuing to rise across Asia Pacific, and particularly in ASEAN. As corporates expand their manufacturing centres in markets like Vietnam, Cambodia, Indonesia and Thailand, there is a growing need for cross-border payments to suppliers in these countries. At the same time, markets like Vietnam and Cambodia have leapfrogged from a cash culture straight into the digital era, with the rise of ecommerce continuing to drive higher volumes of cross-border transactions.

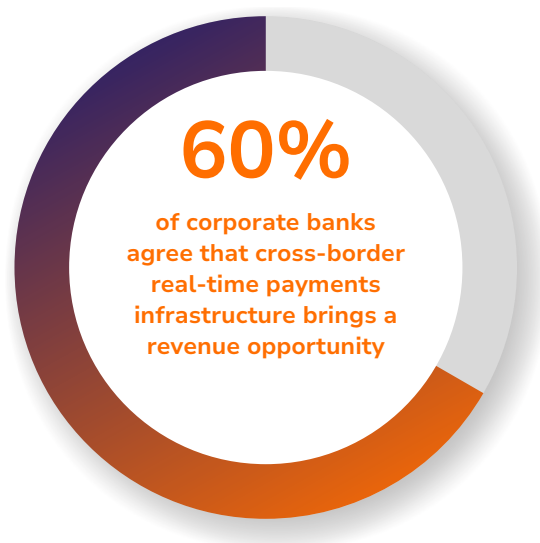
" Global cross-border e-commerce is expected to reach USD 3.4 trillion in 2028 with Asia Pacific emerging as the largest market by accounting for over 40% of global sales. "

Source: Finastra

Of course, not all cross-border payments are real-time payments. But while the high cost of cross-border transfers has long been a challenge for corporates and individuals alike, the fees associated with real-time payments tend to be more attractive than traditional rails, with a continued push towards offering these services either free of cost or at much lower prices points.

The fastest growing segments of cross-border payments are consumer-to-business (C2B) ecommerce-led payments, and low-value business-to-business (B2B) payments with a value of less than \$1000, according to McKinsey¹. With cross-border immediate payments becoming a reality, it is likely that we will see a shift in customer preferences towards the use of immediate cross-border payments for these transactions.

Against this backdrop, it is likely that the growth of cross-border immediate payment volumes will continue. 42% of respondents to PwC's *Payments 2025 & Beyond* report² strongly expected an acceleration of cross-border, cross-currency instant and B2B payments in the next five years. In APAC, this will be further cemented by industry efforts such as the BIS Nexus initiative to integrate the domestic immediate payment schemes across five countries – Malaysia, Singapore, Philippines, India and Thailand – to enable instant cross-border payments.



Source: Finastra

Harnessing real-time cross-border payment opportunities

For banks, the rise of real-time cross-border payments brings a significant revenue opportunity. As corporates continue to increase their usage of immediate payments – and see the benefits of this approach – their willingness to pay for these services based on the use cases available provides an opportunity for banks to start monetising instant payments.

When immediate payments were first introduced, a lot of banks opted to build capabilities around their legacy systems instead of investing in modernising their payment solutions. As a result, many have been slow to offer customers the support they are looking for.

For example, Capgemini's World Payments Report 2025ⁱⁱⁱ highlights corporate demand for value-added instant capabilities, with in-demand capabilities including instant cash sweeping, instant supplier payments and just-in-time payments. But in many cases, a reliance on legacy systems is hindering banks from tapping into value-added services and offering them to their corporate clients.

Key hurdles for financial institutions relying on traditional methods in implementing a cross-border payments strategy



Source: Finastra

Fintechs are gaining ground

Fintechs, meanwhile, have been quicker to take advantage of newer technologies and create modern solutions that target specific pain points for specific customer segments.

Many offer overlay services using open APIs, which enable corporates and consumers to reduce instances of fraud – and in a lot of cases, fintechs can offer these services at a lower price point than banks. At the same time, some companies are happy to pay fintechs slightly higher transaction fees if they feel they will get a better service, while improving their ability to open new accounts and reach additional markets.

Many banks had not anticipated how readily customers would move some of their business to fintechs, but in practice, this shift is already resulting in a loss of wallet share. According to 2023 research by Datos Insights (formerly Aite Novarica Group)^{iv}, almost half of banks believe that 10% or more of their payments volume has already moved to a fintech provider.

Barriers to change

If banks do not start modernising, they will increasingly lose business – both to fintechs, and to other banks that are taking a more proactive approach. But it can be difficult for banks to adapt to changes in the payments landscape.

A 2023 study by Accenture^v explored the key challenges that banks face on their modernisation journeys. For banks in APAC, the most pressing challenges included a reduced share of wallet due to competitive solutions from fintechs (64%), as well as the struggle to keep up with regulatory requirements (54%).

Other challenges faced by banks in the region include a lack of leadership buy-in to modernise their payments infrastructure (48%), a lack of budget to modernise payments (44%) and a lack of skilled talent (28%).

Meanwhile, regional and global banks often find it difficult to keep track of market developments. As such, many banks are turning to solution providers and third-party consultants to keep them informed and help them identify which changes are needed.

Why modernise?

Fortunately, there are plenty of opportunities available for banks seeking to modernise their payments solutions and compete effectively in this area. By adopting modern payment solutions that harness open APIs and offer a modular, microservices-based architecture, banks can meet customer demand for instant payments and benefit in several ways:

- **Reduce technology spend:** When addressing regulatory change, banks that use legacy systems may incur significant costs in customising their platforms – whereas a modern payment solution should either already support the change or be able to address it easily through configuration.
- **Accelerate time-to-market:** A modern platform can help banks go to market faster with new products than with legacy systems, meaning that banks can start tapping into new revenue opportunities sooner.
- **Access new corridors:** A [2023 survey by Datos Insights](#) found that 36% of APAC respondents expected growth in cross-border payments to be driven by an increase in new countries. To reach these corridors, banks need to either start setting up new correspondent banking partnerships, or look at alternative modes of payment. With a modernised payment system, banks will be better placed to react quickly when a company wants to start making payments to an additional country.
- **Reduce failed transactions:** The cost of a failed transaction is typically around \$12, but the true cost is much greater. According to LexisNexis^{vi}, 42% of companies estimate that they lose 2-5% of their customers due to failed or delayed payments. A modern platform enables banks to connect easily to third-party fintechs, allowing banks to validate payment details before sending a payment into the network, thereby reducing or minimising the chances of both failed transactions and fraud.



Source: Finastra

How can banks succeed?

First and foremost, banks should aim to centralise their payments processing with a unified system that can automate payment processing across different payment types and consolidate multiple payment channels into a single platform. Currently, most banks use a variety of systems to process payments, requiring them to customise or replace multiple systems when adapting to regulatory change, which hinders their agility and adaptability.

Likewise, banks should be looking for modernised architecture that will support industry developments, such as the G20's target for 75% of cross-border payments to be credited to the beneficiary within one hour by 2027. Banks also need to adapt to the growing focus on API-based connectivity models.

At the same time, the industry movement towards ISO 20022 means that banks will need to carry out compliance checks on additional data points. Payment systems will need to be able to consume and process this increased volume of data and allow corporates to take advantage of the resulting business benefits, which includes automated reconciliation.

Finally, banks need systems that are configurable and able to respond to regulatory developments and evolving customer behaviour, without having to ask the solution provider or their in-house IT teams to update their code every time a change occurs.

Time to act

Above all, adapting successfully to the growing demand for real-time cross-border payments requires something of a change in mindset. According to Accenture^{vii}, 63% of commercial banks view payments as a cost centre, which means that when an existing payment system needs to be replaced, the focus is squarely on cost reduction and ROI.

But when weighing their options, banks need to look beyond the question of cost. A modernised payments platform allows banks to offer more value-added services around payments, which can present new revenue opportunities and enhance the overall payments experience for end users – indeed, Accenture has predicted^{viii} that value-added services around payments could be worth \$371 billion by 2028. And of course, losing out on payments business will invariably mean that banks miss out on other areas as well, such as customer deposits or lending services.

In summary, change is a fact of life in the world of payments, from evolving consumer behaviour patterns to market changes and the shifting sands of geopolitics. In the coming years, the pace of change will only accelerate. To keep up with these developments and avoid losing business further down the line, banks need to look at modernising their payment platforms – and the time to act is now.

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