

# Future of corporate payments

February 2024



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# Foreword



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Traditionally, the velocity of changes in corporate payments systems was slow. However, the past 24 months have led to an inflection point in corporate payments transformation. After continuous innovation and maturity in retail payments, the action has shifted to corporate payments, forcing banks to re-think their payments strategy more holistically and re-evaluate their business models and systems.

Before the pandemic, most corporate payment processes were manual and paper-based, which meant long turn-around times, low efficiency, and low insights from the underlying data. The pandemic necessitated overall digital transformation, and corporate payment services were also swept up by this transformation wave. Government/central bank interventions across the world, which pushed/are pushing for innovation in the overall payments value chain, have also provided the impetus to transformation in corporate payments services.

Various players in the ecosystem have come together to solve inherent challenges in this domain. Technology providers have focussed on driving improvements in the Straight Through Processing (STP) rates, reduction in operating costs, improvement in turn-around time, and overall efficiencies. Further, banks/payment services providers have focussed on delivering product/service innovation, such as B2B Buy Now Pay Later (BNPL) for corporates, and Account Payables/Account Receivables (AP/AR) automation, to stay relevant and competitive in the market.

This report provides insights into key trends and opportunities in the rapidly evolving corporate payments landscape. We explore the emergence of new technologies and business models, highlighting global best practices and lessons learnt. Our goal is to inspire banks and payments service providers to develop a comprehensive corporate payments transformation roadmap, by sharing actionable insights for the medium to long term.





# Journey towards transformation of corporate payments

## Introduction

Payments are an important enabler for running the day-to-day operations of corporates. This includes cross-border payments, vendor payments, supplier payments, salary payments, and forex payments.

Corporates expect their banking partners to provide fast, secure, and reliable payment solution(s) that enable

them to better manage their payables and receivables, thus improving their overall working capital positions. For banks, the drive towards corporate payments transformation has been relatively slow.

However, the corporate payments industry has witnessed an unprecedented change over the past 24 months. The outbreak of the COVID-19 pandemic affected almost all global businesses, which were reliant on human intervention or physical presence. These businesses had their operating models built on accepting traditional payments methods, such as cheques and cash, which were severely challenged due to lack of mobility. To sustain their day-to-day operations, including payments to vendors/suppliers/employees, corporates had to work with their banking partners to digitise the manual processes and re-define their operating models to start accepting additional digital payments methods. This led to a focussed transformation covering the entire corporate

payment lifecycle and digitising as much of the value chain as possible, while also looking at new business and operating models to sustain the operations.

In line with the global trends, the Indian corporate payments industry (traditionally, cheque- and cash-based), had to follow suit. Further, the government and central bank-led initiatives helped accelerate the transformation. The initiatives seen across the world from various government bodies provided the much-needed impetus for creating awareness and building the necessary infrastructure to ensure a focussed-led transformation of the corporate payments value chain.







# Identifying key pain points for corporates and banks

Corporates and banks grapple with a number of challenges ranging from lack of real-time updates on payments transactions, limited visibility on aggregated fund positions across accounts, inconsistent payments experience, and many more. We will discuss each of these challenges in detail in the following section.

## Limited visibility on end-to-end payments transaction status for cross-border payments

Traditionally, corporates have lacked real-time information on payment transaction status and the account positions post- settlement, especially when multiple intermediary parties/cross-border payments are involved. This led to inefficient cash flow forecasting for corporates due to limited visibility on the fund's movement. In addition, very often corporates are unable to get a transparent view of the fees/charges being levied by banks for processing cross-border payments due to multiple hops/ correspondent banks involved.

While the Society for Worldwide Interbank Financial Telecom (SWIFT) Global Payments Innovation (GPI) has addressed the issue of transaction status, visibility, and fee transparency for cross-border payments, the adoption by banks is slow and gradual. Less than half of the 11,000+<sup>1</sup> financial institutions that use the SWIFT network are active on SWIFT GPI, indicating a long road ahead. Corporates are looking for innovative solutions that can provide much-needed visibility/transparency from their banking partners/ecosystem providers.

<sup>1</sup><https://www.swift.com/our-solutions/swift-gpi>



## Lack of aggregated view of fund positions and bank accounts

Corporates have complex organisational structures, with regional offices spread across the globe. Each regional office prefers to use its local bank account for payments to vendors and employees, as well as for the management of internal expenses. In addition, corporates have multiple banking relationships and use different bank accounts to process their payments. Hence, keeping track of collections and payments

becomes a challenge, leading to a lack of aggregated view of fund positions across multiple banks accounts.

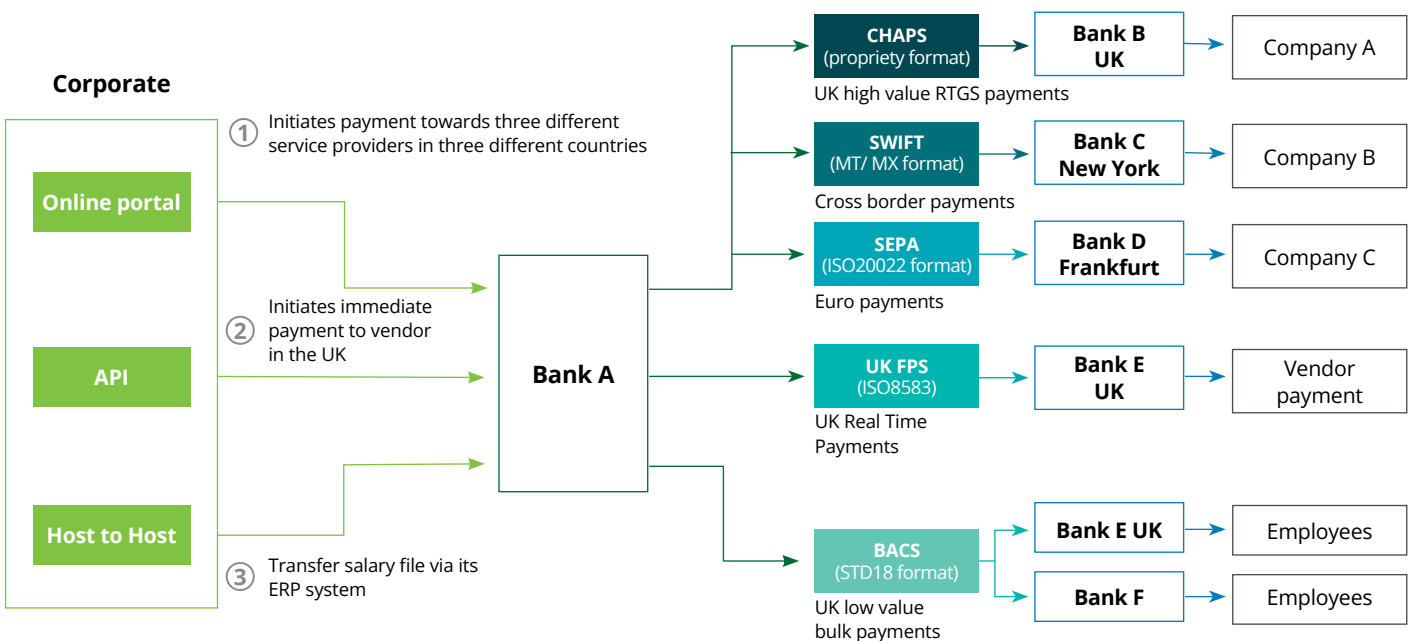
Thus, corporates are looking for innovative solutions/ interventions from ecosystem participants that can provide them with a single view of their positions across regions.

## Inconsistent payments experience for corporates due to diverse payment needs

Corporates have complex payment requirements. They need to make payments to their suppliers, subsidiaries, and employees, as well as collect payments from their customers, all of whom can be spread across multiple countries. To support these diverse payments needs (real-time payments, cross-border payments, Foreign Exchange [FX] payments, etc.), which require different

messaging standards (domestic and cross-border clearing and settlement), banks must set up multiple teams/payment systems, which at times could lead to inconsistent experience for corporate customers. Figure 1 illustrates such an example of a bank's large corporate customer having complex payment requirements.

**Figure 1: Illustrative example of a bank's large corporate customer having complex payment requirements**



Source: Deloitte Analysis

In this example, a UK corporate uses Bank A to make various payments: (1) to three vendors in different countries using one instruction, (2) immediate payment request to a UK vendor via payment Application Programming Interface (API), and (3) salary file transfer from Enterprise Resource Planning (ERP) to Bank A via host-to-host integration. Thus, Bank A would require a

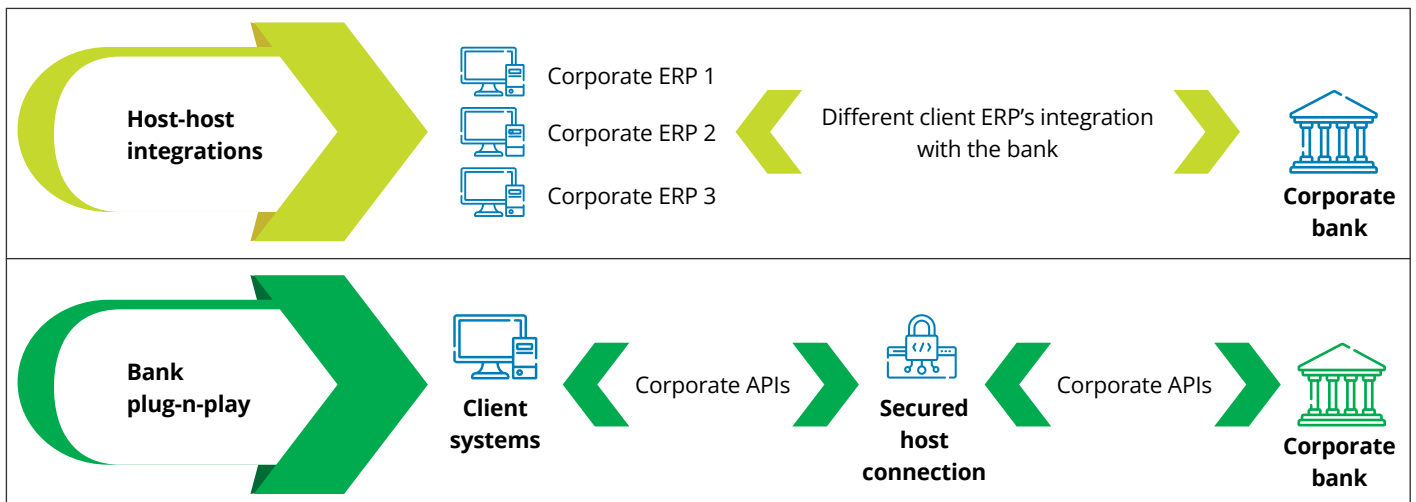
flexible, integrated payments platform to handle diverse instructions from multiple channels and send them to different payment infrastructure providers (CHAPS, SEPA, UK FPS, BACS) for successful processing, to ensure a consistent experience is provided to corporates' diverse payments requirements.

### Complex integration requirements for seamless corporate connectivity

Corporates have multiple banking relationships and rely on multiple communication mechanisms, such as host-to-host integration between their ERP systems and banks' backend systems to make payments. This integration is complex and time consuming for both corporates and banks with challenges related to security protocols, file formats, and communication protocols. While large corporate customers have the appetite to invest in these

requirements, small players find it difficult to make such investments. Thus, banks are looking at offering standardised connectivity options, such as APIs that can be used by corporates as plug-and-play applications for accessing various services offered by banks (through secured channels), reducing the burden on smaller corporates (Figure 2).

Figure 2: Host-to-host integration and plug-n-play solutions



Source: Deloitte Analysis

## Cumbersome bank statement reconciliations

Corporates must maintain large accounting teams for the reconciliation of their bank statements with ERP accounts, as it is a time-consuming and complex process. In addition, there are limitations in ERP systems for supporting auto reconciliation and multiple statement formats.

As a result, corporates have been looking for solutions that can help in the digitisation of the entire accounting value chain and enable auto reconciliation between their ERP systems and bank statements/accounts. Some banks have realised the challenges and started offering standardised solution. However, large-scale adoption is still in the nascent stages. Figure 3 illustrates a possible solution of this situation.

**Figure 3: Auto reconciliation of corporate A's ERP system and bank statement**



Source: Deloitte Analysis

In Figure 3, corporate A supplies material to corporate B. With end-to-end digitisation, corporate B shares the invoice details while making payments to the bank. When the bank credits the payment to corporate A's bank account, the bank sends the reverse file to corporate A's ERP system and automatically reconciles the invoice with the payment received from corporate B. This removes the need for manual reconciliation.

While some of the pain points are getting addressed by the ecosystem participants, several broader industry trends (as stated below), are also shaping the overall corporate payments transformation journey.



# Insights into corporate payments transformation: Trends and implications to look for

While banks are looking for innovative solutions to address pain points, they also need to invest more in line with market trends. We foresee investments in upgrading infrastructure to improve operational efficiencies, fostering collaboration within the ecosystem to face non-conventional competition, developing open systems to support product innovation, and rapidly adopting disruptive technologies to drive new business models. Some of these key trends will shape the future of corporate payments. We will discuss each of these trends and their implications in detail in the following section.

## Investments in infrastructure upgrades driven by growth in digital payments

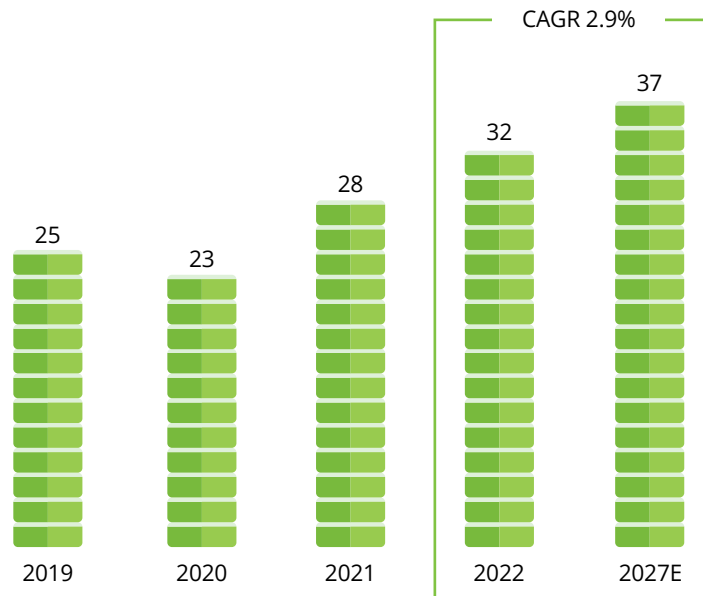
Apart from COVID-19, the rapid expansion of global trade is also acting as a catalyst for driving the growth in overall payments volumes.

Per the United Nations Conference on Trade and Development (UNCTAD), in the past three years, global trade has increased by ~28 percent to reach ~US\$32<sup>2</sup>

<sup>2</sup><https://unctad.org/publication/global-trade-update-march-2023>

trillion in 2022. With global economies facing headwinds, it is anticipated that trade growth will remain subdued in 2023 and expected to rise marginally to reach US\$37 trillion by 2027 (Figure 4). The growth in global trade (cross-border corporate payments flow) is expected to further drive the growth of overall Business-to-Business (B2B) payments in the coming years.

**Figure 4: Global trade/corporate cross-border payment value (in US\$ trillion at current prices)**



Source: IMF, WTO, UNCTAD, Deloitte Analysis

The growth in global B2B payments is supplemented by a surge in volumes of digital payments. Per the National Automated Clearinghouse Association (NACHA), the Automated Clearing House (ACH) network in the US, the number of companies using electronic modes for

making B2B payments<sup>3</sup> using the ACH network increased significantly in the past two years. Corporates are adopting digital modes of payments due to various factors that are illustrated in Figure 5.

**Figure 5: Factors driving digital payments and the need for more capabilities in payment systems**



- Introduction of new payments rails, such as FedNow (RTP in US), ISO20022 (Cross-border/domestic schemes), UPI B2B, etc., which are offering new use cases for corporate payments
- Automation of AP/AR processes backed by rich data sets available in new payments methods
- Global open banking wave allowing non-bank players to offer innovative solutions for corporate payments
- Expansion of B2B e-commerce industry and growth in cross-border payments volumes

Source: Deloitte Analysis

<sup>3</sup><https://www.nacha.org/news/ach-network-sees-291-billion-payments-2021-led-major-gains-b2b-and-same-day-ach>

In addition, the set-up of national Real-time Payments (RTPs) infrastructure across the globe has also led to the development of B2B/corporate payments use cases, which is leading to growth in digital corporate payments.

For a corporate, RTPs help solve the pain points around the lack of real-time updates/status of payments by providing an instant update on processed and failed payments. They are also helping corporates create strategic differentiation. For instance, corporates can use RTPs for the following purposes:

- To disburse real-time insurance claims
- For freight payments and instant payments to truck drivers
- For intra/intercompany transfers

One of the oldest financial institutions in the US conducted a survey<sup>4</sup> of over 250 corporate decision makers regarding the usage and benefits of RTPs amongst businesses of various sizes operating across industries. The results showed that 9 out of 10 businesses are focussing on RTPs and the business case for RTPs is quite evident. The survey highlighted how RTP is benefiting businesses across functions.

At present, cross-border RTP use cases are limited to retail payments, such as linkage between the Monetary Authority of Singapore (MAS) and Bank of Thailand (BOT) for small value payments. Limited options are available for cross-border corporate payments use cases. As the use cases evolve, banks would need to invest in technology infrastructure to support increased digital B2B payments driven by real-time payments adoption and increase in trade volumes.

### Implications for banks: Modernise payment processing infrastructure to increase the efficiency.

Driven by the need to support high throughput of transactions, several banks have started modernising

their payment infrastructure. Banks are upgrading their core banking systems to increase capacity and transaction processing capabilities. It involves the adoption of advanced database systems and server architectures, to ensure seamless scalability. Banks are also upgrading their payment processing platforms to process transactions in real time. This necessitates the use of faster processors, improved load balancing, and more effective queuing mechanisms for simplified payment routing. To manage business demands for faster time-to-market and interoperability, banks are shifting to micro-services and API-driven payment system architectures.

Some banks use the traditional way of on-premise-based upgrades that have longer investment cycles and long implementation time-to-market. Other banks adopt Payment-as-a-Service (PaaS) models. PaaS provides various benefits, including flex capacity to scale up or down payment processing capabilities, reduction in Total Cost of Ownership (TCO), faster integration, and better customer experience. While a few banks move their payment infrastructure to PaaS, others take a more cautious approach by adopting PaaS for one of their payments products or schemes.

One of the leading US full-service digital banks has partnered with a private PaaS platform player to help its customers provide real-time payments, from initiation to settlement, using the PaaS platform.<sup>5</sup>

Similarly, another leading US bank has moved its payment infrastructure supporting 'wire transfers' to the cloud with a private cloud player. The bank has developed a cash management solution for corporates on the cloud that will increase the capacity and resiliency of wire payments.<sup>6</sup>

<sup>4</sup><https://investor.citizensbank.com/about-us/newsroom/latest-news/2020/2020-08-18-130203378.aspx>

<sup>5</sup><https://www.volantetech.com/news/tab-bank-real-time-payments/>

<sup>6</sup><https://www.bnymellon.com/us/en/about-us/newsroom/press-release/bny-mellon-moves-wire-payments-into-microsoft-azure-increasing-resiliency-and-capacity-of-payments-industry-130226.html>

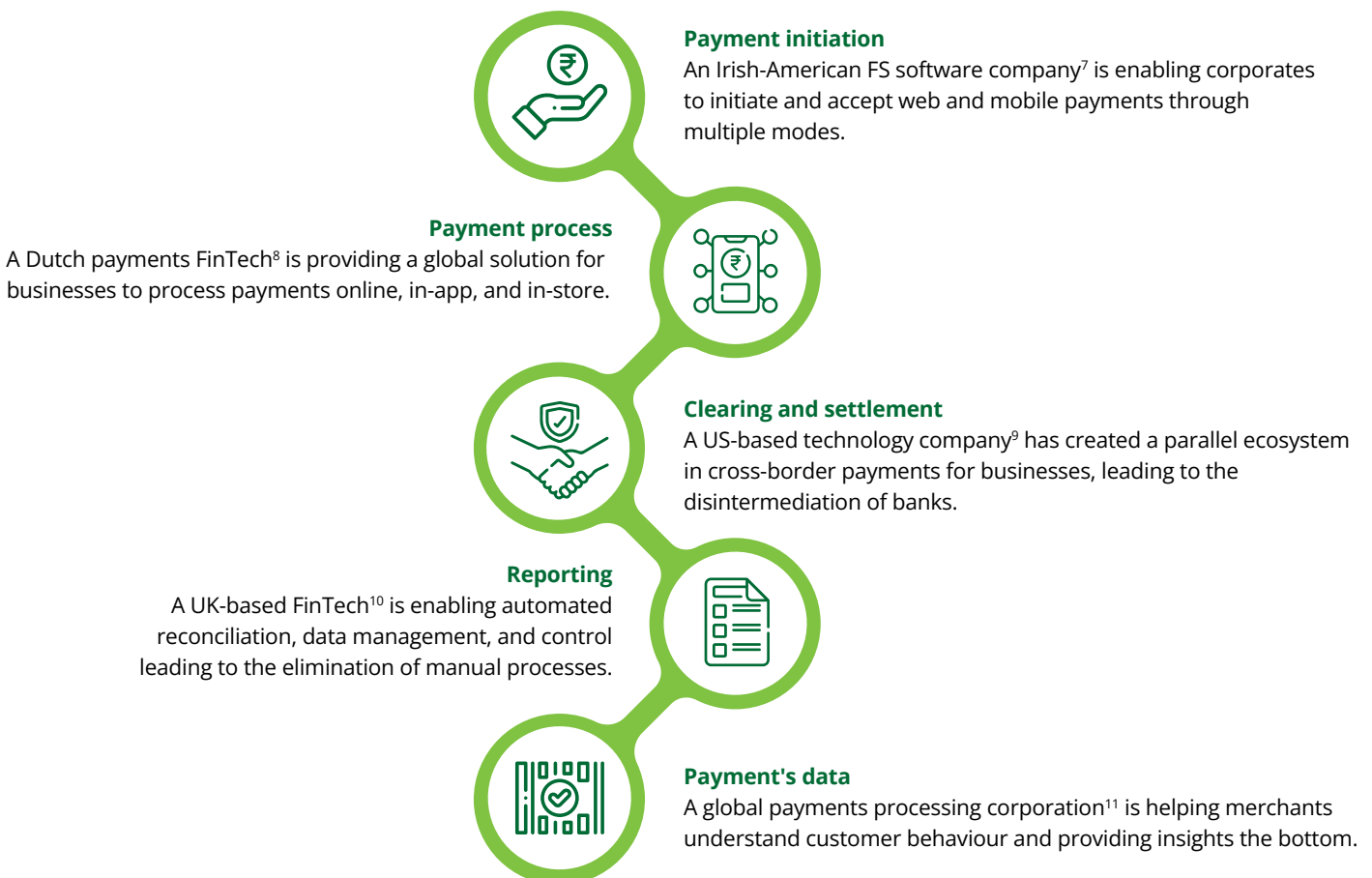


## Rise of non-conventional competition fuelling innovation and ecosystem collaboration

Banks have traditionally acted as the primary owners of corporate relationships for payment requirements. However, with the emergence of BigTech companies, FinTech platform players, and diversification by networks/ payment processing companies, the market share for banks in the corporate payment domain is coming under immense pressure.

While the initial focus of prominent payment companies was on retail payments penetration, these players have now started catering to corporates through platform-based business models (B2B e-commerce, cross-border payments), newer products (B2B BNPL, virtual cards, gateways), and value-added services (cloud solutions, invoice automation, disbursements, etc.).

**Figure 6: Penetration of technology companies across the corporate payments value chain**



Source: Deloitte Analysis

These non-conventional players are heavily using technology to alleviate corporate pain points for their payment requirements (Figure 6).

<sup>7</sup><https://stripe.com/en-in/guides/payment-methods-guide>

<sup>8</sup><https://www.adyen.com/>

<sup>9</sup><https://ripple.com/solutions/cross-border-payments/>

<sup>10</sup><https://www.autorek.com/solutions/automated-reconciliations/>

<sup>11</sup><https://www.mastercardservices.com/en/advisors/consumer-engagement-loyalty>

### Implications for banks: Ensure seamless experience and pursue effective collaboration for ensuring overall corporate payments value chain transformation.

Banks have started partnering with/investing in tech firms to capitalise on the strengths related to the speed of innovation, access to new segments, and improved insights and efficiency gains. Several examples of cross-industry collaboration, which are becoming prevalent, aim to address corporate pain points. Some of these include the following:

- One of the global MNC banks<sup>12</sup> has partnered with a FinTech to launch a new service that can provide large corporates with auto sweep facilities. This can enable the corporates to move excess cash from accounts of different banks with US branches to the MNC bank account.

- A leading private bank in India has partnered with a FinTech startup that operates a neo-banking platform that facilitates connected banking solutions for corporates and small & medium enterprises providing value-added services, such as automated Account Payables/Account Receivables (AP/AR), and tax filing.<sup>13</sup>
- A Chinese multinational technology company has partnered with a top global investment bank to facilitate US credit card processing on its platform, thereby making it simpler for its buyers and sellers to conduct B2B business.<sup>14</sup>

## Product innovation in corporate payments is getting inspired by learnings from retail payments innovation

New product launches have been relatively slower on the corporate payments side as compared with continued new launches on the retail payments side (QR codes, proximity payments, United Payments Interface [UPI] lite, etc.). Seeing the untapped market for credit with smaller enterprises, FinTechs are now extending successful retail products, such as BNPL to the B2B space.

This collateral-free short-term credit to sellers allowing buyers to delay the payment or spread the cost of a purchase over time (similar to retail purchases) is backed by the advent of alternate credit assessment models. FinTechs are using open APIs to access past/current business data, such as sales, purchases, invoicing, order status, customer feedback, and other government open APIs (such as GST in India) to develop more robust credit assessment models. This trend started globally, but the Indian market is also catching up to this new phenomenon.

- A European B2B BNPL provider has partnered with a wholesale B2B marketplace<sup>15</sup> to allow real-time decisions on creditworthiness and provide access to flexible payment terms at the checkout.
- A BNPL firm focussed on B2B billing has automated the process of billing and purchasing on credit.<sup>16</sup>
- An Indian FinTech firm has tied up with a large e-commerce retailer for an embedded BNPL initiative for Micro, Small and Medium-sized Businesses (MSMBs).<sup>17</sup>

There are perceived benefits of B2B BNPL, such as a flexible credit line, streamlined working capital requirements, and seamless checkout experience in the B2B marketplace. However, certain challenges are also expected in the future, when the regulators take stock of the growth/quantum of these loans, considering the lack of transparency around lending practices and the potential risk of non-payment by B2B customers.

<sup>12</sup><https://www.citigroup.com/global/news/press-release/2022/citi-launches-new-us-deposit-sweep-solution-for-institutional-clients>

<sup>13</sup>[https://www.vanghee.com/assets/docs/vanghee\\_ici.pdf](https://www.vanghee.com/assets/docs/vanghee_ici.pdf)

<sup>14</sup>[https://www.businesswire.com/news/home/20210916005216/en/J.P.-Morgan-Supports-Alipay-to-Provide-Card-Payment-Services-for-Alibaba.com-in-the-U.S.#:~:text=U.S.%20%7C%20Business%20Wire-,J.P.%20Morgan%20Supports%20Alipay%20to%20Provide%20Card%20Payment,Alibaba.com%20in%20the%20U.S.&text=NEW%20YORK%2D%2D\(BUSINESS%20WIRE,Group%20\(NYSE%3A%20BABA\)](https://www.businesswire.com/news/home/20210916005216/en/J.P.-Morgan-Supports-Alipay-to-Provide-Card-Payment-Services-for-Alibaba.com-in-the-U.S.#:~:text=U.S.%20%7C%20Business%20Wire-,J.P.%20Morgan%20Supports%20Alipay%20to%20Provide%20Card%20Payment,Alibaba.com%20in%20the%20U.S.&text=NEW%20YORK%2D%2D(BUSINESS%20WIRE,Group%20(NYSE%3A%20BABA))

<sup>15</sup><https://www.hokodo.co/resources/ankorstore-how-leading-b2b-marketplace-offering-flexible-payment-methods>

<sup>16</sup><https://resolvepay.com/about/>

<sup>17</sup><https://storieslistgv2.blob.core.windows.net/stories/2021/10/Rupifi-and-Flipkart-Wholesale-Partnership.pdf>

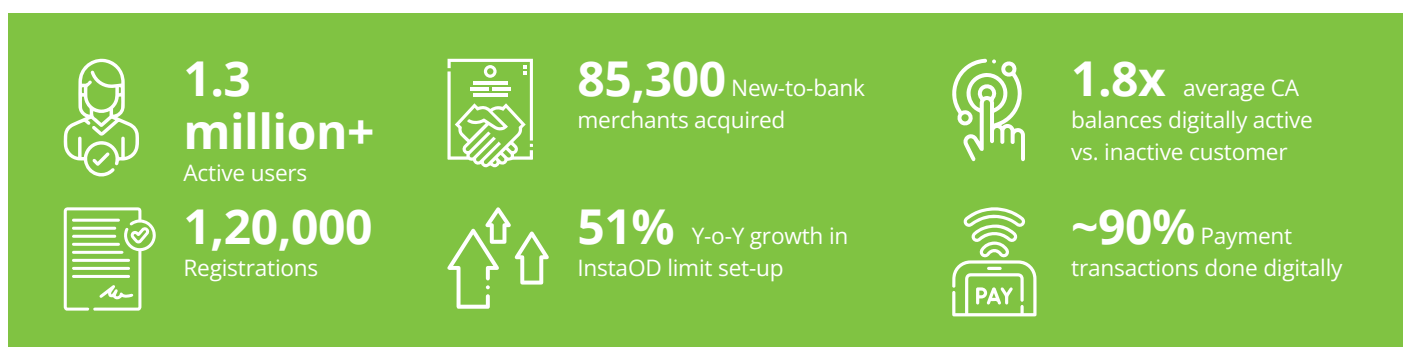
**Implication for banks: Develop scalable and open systems to support new product innovation.**

Banks need to adopt a two-pronged strategy to respond to the need for product innovation in corporate payments. First, they need to ensure their systems are flexible and open enough to support faster product launches by using open APIs, cloud, and microservices. Second, banks need to continue to collaborate/partner with the ecosystem players to offer differentiated product propositions.

- To build a best-in-class scalable, reliable, and secure payments platform, a global bank has developed a fully cloud-native architecture powered by containerised micro-services and APIs.<sup>18</sup> This has allowed the banks to introduce new products in significantly less time.

- Another global bank has partnered with a low-code platform provider, which enabled the bank to cut the timelines for new product launches from nine months to under two months.<sup>19</sup>
- One of the leading private banks in India has launched a connected platform to assist businesses of various sizes in managing all their needs including banking, payments, collections, payroll, and tax filling. The bank offers these services in collaboration with more than 60 providers. The platform has seen significant adoption within small businesses leading to significant growth for the bank as illustrated in Figure 7 below.<sup>20</sup>

**Figure 7: Key metrics post implementing a connected platform to MSMEs (Q2, 2023)**



**Payments margins remain under pressure and challenge the economic model**

Changes in the social and economic environment led to increased investments by banks, thereby increasing their technology and operations costs. In addition, mandatory regulatory initiatives are also driving the capex and opex requirements for banks, thus putting pressure on their margins. At the global level, several regulatory authorities have announced initiatives to achieve the following:

- To modernise legacy payments rails and promote standardisation (e.g., migration to ISO 20022 for cross-border payments). The migration strategy to adopt ISO 20022<sup>21</sup> by various payments network is shown in Figure 8.
- To ensure data privacy (e.g., PSD2 in Europe, EU’s General Data Protection Regulation (GDPR), data localisation norms in various countries).

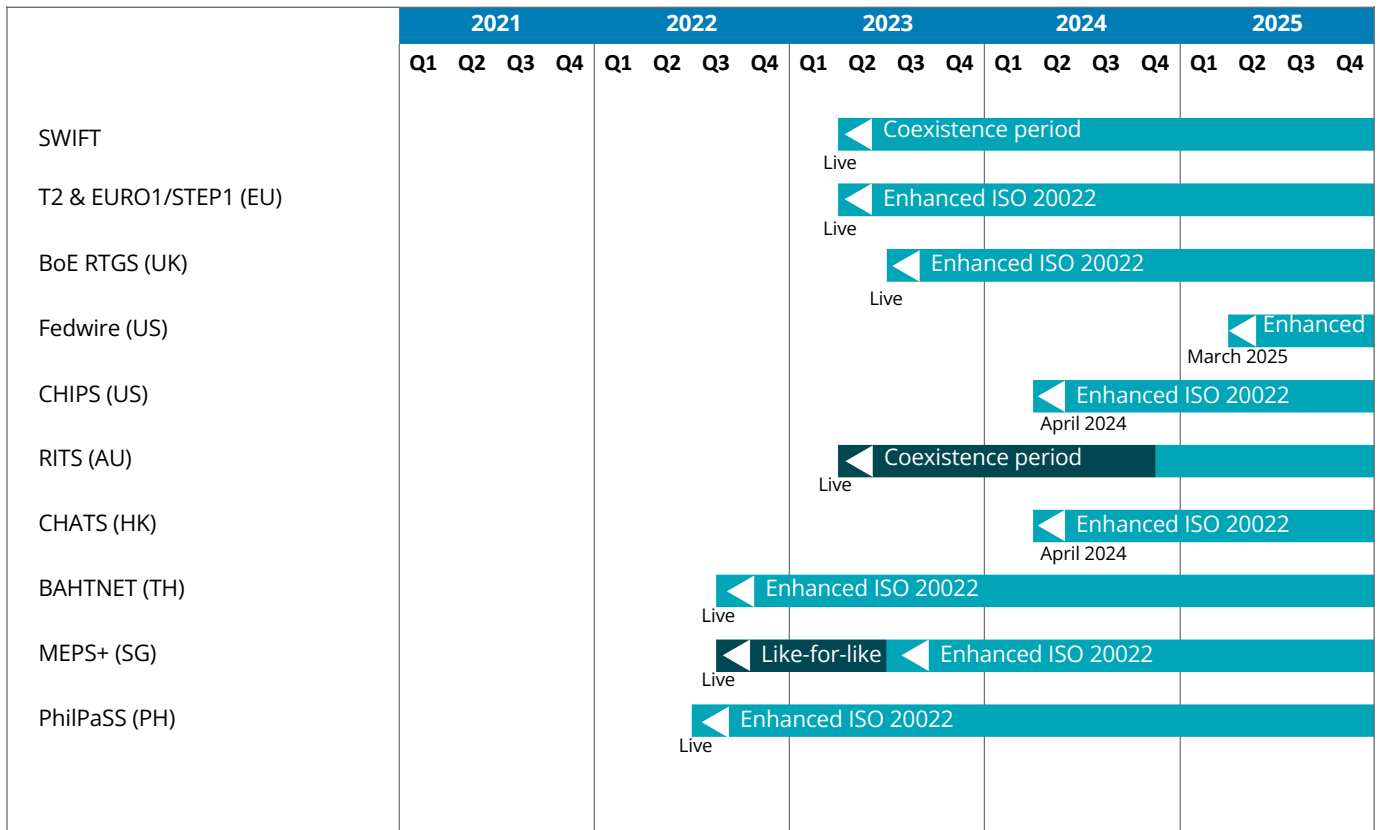
<sup>18</sup><https://www.sc.com/en/explore-our-world/building-a-flagship-global-payments-hub/#:-:text=SCPay%20is%20built%20on%20a%20secure%20foundation%20and,operate%20on%20a%20multi-cloud%20and%20even%20cloud-agnostic%20environment.>

<sup>19</sup><https://www.pega.com/insights/articles/how-lloyds-banking-group-deploys-solutions-hyper-speed>

<sup>20</sup><https://www.icicibank.com/content/dam/icicibank/india/managed-assets/images/about-us/investor/Investor-presentation.pdf>

<sup>21</sup><https://www.swift.com/swift-resource/249456/download>

Figure 8: Global ISO 20022 adoption overview (Illustrative, not exhaustive)



Source: Deloitte Analysis

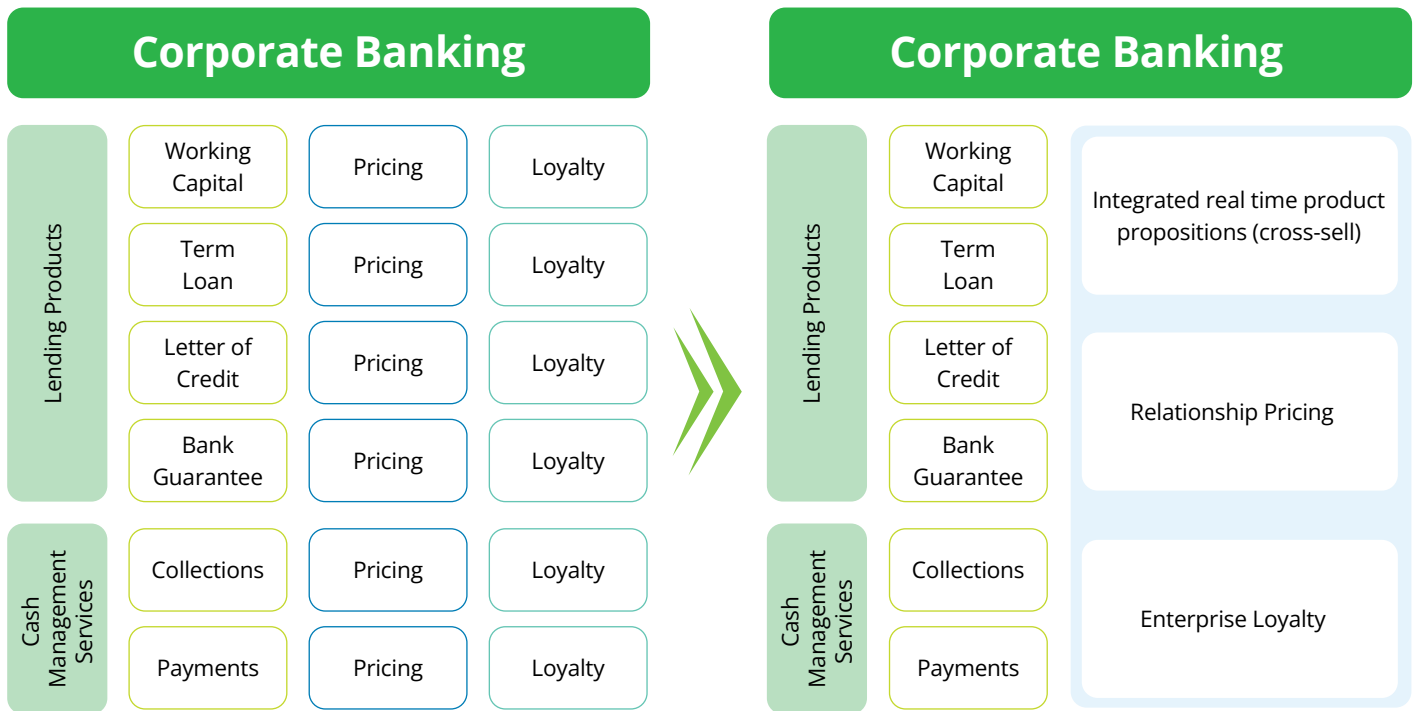
Mandatory initiatives require investments in upgrading technology and infrastructure to comply with regulations. Non-compliance leads to operational disruptions and fines. Banks must invest to ensure compliance, however, passing the cost to customers may not be possible, as they may switch their banking relationships. This puts additional pressure on banks' top-line and bottom-line.

**Implication for banks: Embrace technology to drive lower TCO while looking at avenues to improve customer stickiness and topline.**

Banks must invest to ensure compliance and should use non-linear models (PaaS, Cloud) to lower costs. They should also invest in solutions to improve customer stickiness for top-line growth to

fund compliance spending requirements. Banks traditionally have had a silo view of customers, leading to inconsistent experiences and low product penetration. As represented in Figure 9, a single view of the customer relationship across the bank can improve the overall experience and stickiness.

Figure 9: Traditional pricing vs. relationship-based pricing



### Product based pricing

No single view of customer; separate pricing and loyalty points for different products/services

### Relationship based pricing

Intelligent pricing basis customer relationship and behaviour; loyalty rewards basis product penetration



**Higher motivation for customers to have multiple relationships with the bank to get preferential pricing**



**Higher incentive for customers to do more transactions to earn common loyalty points that can be redeemed through multiple avenues**

Source: Deloitte Analysis

By offering relationship-based pricing to the customers, product penetration levels can be improved and overall customer loyalty can be enhanced.

- A North American bank reported 50 percent improvement in the time to market and 100 percent digitisation of negotiated pricing post implementation of a relationship-based pricing solution it also helped

reduce billing operations and write-off costs for corporate and business banking customers.<sup>22</sup>

- A leading European bank reported improvement in customer satisfaction levels while mitigating revenue leakage post-implementation of a relationship-based pricing solution.<sup>23</sup>

<sup>22</sup><https://zafin.com/insights/thought-leadership/case-study/unified-pricing-and-billing-solution-for-business-banking-and-corporate-customers/>

<sup>23</sup><https://www.suntecgroupp.com/case-studies/european-banking-leader-delights-customers-with-smart-personalized-pricing-and-transparent-billing/>

## Disruptive technologies drive new business models in the payments value chain

We have witnessed the advent of non-linear technology models, such as Cloud, PaaS, etc. that have led to transformations. New-age technologies, such as quantum computing, Central Bank Digital Currencies (CBDC), Distributed Ledger Technology (DLT), etc., can further accelerate the overall corporate payments transformation through differentiated use cases. However, large-scale adoption of these technologies is still in the early stages. For instance, DLT offers intriguing use cases for real-time cross-border payments clearing and settlement, but actual implementation has been slow and banks have relied on bilateral agreements with DLT-based FinTech platform providers for very specific use cases. Some of the larger industry initiatives, in the early stages, include the following:

- A leading global card network launched a non-card B2B transactions network for cross-border payments using an open-source Hyperledger fabric framework. It helps remove friction and time spent on cross-border corporate payments by facilitating transactions from the bank of origin directly to the beneficiary bank. Further, it tokenizes the corporate's sensitive business information, such as banking details and account numbers, and instead uses a unique identifier that can be used to facilitate transactions on the platform.<sup>24</sup>
- An American multinational bank and a British multinational bank developed a blockchain-based solution for bilateral FX settlements. The solution is live for five currencies, and they plan to add additional currencies in the near term. Since its launch in December 2021, they claim to have settled more than US\$200 billion in transactions through this platform.<sup>25</sup>

Central Bank Digital Currency (CBDC) is a digital form of legal tender issued by a central bank that can be exchanged one-to-one with fiat currency, which has the potential to

offer disruptive use cases. Retail CBDC can be used for payments by individuals while wholesale CBDC can be used by financial institutions and central banks to clear and settle payments more efficiently. CBDCs can mitigate challenges that traditional correspondent banking channels face for cross-border payments, such as longer processing timelines, higher fees, and tedious reconciliation processes. However, large-scale adoption is still to be seen. Several central banks have announced CBDC pilots focussing on cross-border payments. These include the following:

- The central bank of Singapore has announced project focussed on streamlining cross-border FX settlement using wholesale central bank digital currency.<sup>26</sup>
- BIS Innovation, in collaboration with the Central Banks of Hong Kong, Thailand, China, and the United Arab Emirates has launched a project to test real-value transactions amongst 20 commercial banks from four different jurisdictions.<sup>27</sup>
- The Government of India announced the launch of the 'Digital Rupee'<sup>28</sup> CBDC in the Union Budget placed in the parliament in 2022. The RBI is testing CBDC on two fronts,<sup>29</sup> i.e., 'Wholesale (CBDC-W)' and 'Retail (CBDC-R)' for which pilot programme was launched in 2022.

### Implication for banks: Participate in pilots of these new technologies to learn and offer differentiated products and services during commercialisation.

Mid-tier/smaller banks can experiment by partnering with larger banks, participating in regulatory sandboxes, or conducting bilateral Proof of Concepts (PoCs). They can also push regulators to widen pilot coverage to include more financial institutions, as seen in the RBI's wholesale digital 'Rupee pilot' with a mix of large-and mid-tier banks.

<sup>24</sup><https://usa.visa.com/about-visa/newsroom/press-releases.releaseId.16401.html>

<sup>25</sup><https://newsroom.wf.com/English/news-releases/news-release-details/2022/Wells-Fargo-and-HSBC-Expand-DLT-Solution-to-Include-Offshore-Yuan/default.aspx>

<sup>26</sup>[www.mas.gov.sg/news/media-releases/2022/mas-launches-expanded-initiative-to-advance-cross-border-connectivity-in-wholesale-cbdc](https://www.mas.gov.sg/news/media-releases/2022/mas-launches-expanded-initiative-to-advance-cross-border-connectivity-in-wholesale-cbdc)

<sup>27</sup><https://www.bis.org/publ/othp59.htm>

<sup>28</sup><https://rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1218>

<sup>29</sup><https://static.pib.gov.in/WriteReadData/specificdocs/documents/2022/dec/doc2022121139201.pdf>





## Conclusion: The transformation journey continues

With the onset of SWIFT ISO 2022 implementation, we foresee more standardisation and efficiencies in corporate cross-border payment services, and the advent of similar standards for domestic corporate payments as well in the long run. This transformation journey has been running for a few years. However, it is just the beginning. The changing landscape of both cross-border and domestic payments will continue to change at a rapid pace, thereby putting immense financial pressure on banks/other payment service providers, who will have to continuously adapt to sustain their op-line and bottom-line growth. This will be critical for their future competitiveness.

This transformation, which is more than a typical transformation programme, requires significant collaboration with external parties (as opposed to an inward-focussed transformation). Banks/others who open their doors to enable innovation across the value chain of corporate payments (both in terms of technology and business models), will have a greater chance of succeeding.

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