

Top 5 innovations to look out for with international payments

Developments in the payments sector are leading to changes in the way cross-border payments are carried out. We are seeing more collaboration between providers and a move away from the traditional models. Businesses are responding to customer demand for a faster and more secure payment experience. Let's take a look at some of the current trends...

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1. International payment APIs

What is it?

APIs, or application programming interfaces, are technologies that have been used by industries such as the travel sector for years. It is a software intermediary that allows two applications to talk to each other. APIs are now being used in the financial sector by banks and payment service providers (PSPs).

What are the potential benefits?

- Improve the efficiency of an accounts payable function by reducing manual input.
- Smoother experience as businesses can carry out more tasks within their existing business applications rather than logging into multiple systems.
- More simplified and accurate audit and reporting processes.

2. Distributed ledger technology and international payments

What is it?

Current payments gateways rely on international payments passing through intermediary banks, which may slow the process down, increase cost and reduce payment visibility. With distributed ledger technology (DLT) payments become more or less instant and – due to the nature of the transaction – do not require intermediary banks. A well-known example of DLT is blockchain, with Ripple being one of the bigger names.

What are the potential benefits?

- Using DLT can reduce costs and improve efficiency, as international payments do not need to pass through intermediary banks.
- Payments are generally more secure thanks to increased transparency.
- International payments arrive with beneficiaries much faster compared with current payment gateways such as SWIFT.

3. AI and international payments

What is it?

Artificial Intelligence (AI) is mainstream now thanks to the likes of Siri and Alexa. It is also helping many companies improve efficiency around their international payment processes. For example, it can help reduce time spent on manual data input and reduce errors so more payments go through successfully. One form of AI called machine learning (ML) can be used to identify and stop fraudulent online payments before they happen.

What are the potential benefits?

- As many payments are now made in real time, and international payments will not be far behind (see below), ML is a vital tool in stopping online payment fraud and cyber attacks.
- Machine learning can be used to reduce foreign currency (FX) risk by helping corporate treasury departments process large volumes of data and make more informed hedging decisions.

4. Real-time international payments

What is it?

Customers are demanding payments take place in as close to real-time as possible. The legacy systems and processes used for international payments make this difficult, but – in theory – the faster the payments go, the lower the risk of currency fluctuations.

Faster Payments in the UK and SEPA instant credit are both examples of instant payments in action domestically and SWIFT are already working on a solution for cross-border payments with their new gpi technology.

What are the potential benefits?

- Less FX risk if a payment goes more or less instantly and is not subject to currency fluctuations.
- Faster experience for customers who are used to an immediate response with social media and so on.
- Real-time international payments should help the financial industry stay agile and competitive.

5. Anti-money laundering (AML) and international payment

What is it?

Many of the innovations highlighted in this article refer to a more open and transparent network. However, this can lead to issues around anti-money laundering (AML) and cyber security. In addition, many payment providers are not being as careful as they should with KYC (Know Your Customer) checks, as we have seen in some recent high-profile AML cases.

What are the potential benefits?

- Increased customer confidence as data is more secure.
- Payment providers with high levels of AML compliance have less chance of incurring a penalty from the regulators.