How Banks Can Win in Today's Cross-Border Payments Market

Payments have always been central to banking, and their strategic importance is growing. For banks, cross-border payments now function as a gateway to the wider client relationship – deposits, liquidity, foreign exchange, working capital, data, advisory and day-to-day engagement. As money movement becomes faster, more digital and more embedded in customer ecosystems, the institution that delivers the best payment experience is often best placed to retain the broader relationship.

Banks have already witnessed one major inflection point in payments - the rise of fintechs. Many incumbents initially viewed fintechs as a slow-moving impact on broader client relationships and revenues. Today, the impact is deep, wide and accelerating at pace. Fintechs had a starting advantage over banks. Built on application layers, on top of existing banking rails, with a client centric, easy to navigate front end experience, combined with transparency around costs, offering upfront visibility of fees. Overall, this delivered a smoother experience compared to what many banks had to offer.

Fintechs' strengths changed expectations and drove consumers to demand new and improved payment experiences. What began in retail payments and person-to-person use cases moved rapidly into small business, middle-market and corporate flows. Customers now compare their bank with the best digital experience they have had recently, whether from an e-commerce platform, a travel app, a wallet provider or an instant payment service.

While one inflection point has passed, another is in front of banks - but the time to move is now, and the landscape has changed – with new, emerging customer expectations. The risk for banks that don't move, or don't deploy the right strategy, is that disruption becomes disintermediation. Disruption changes how a service is delivered. Disintermediation changes who owns the customer and in payments, this distinction is fundamental. When a bank's customer moves cross-border payment activity to a non-bank provider because the experience is easier, cheaper or faster, the bank often loses not just payment fees but also visibility of flows, influence over liquidity, foreign exchange (FX) opportunities and over time, the broader client relationship. The era of passive observation is over and many banks are intensifying efforts to deploy elevated cross-border payments experiences – but is it the right strategy, and is it too late?

Banks Retain Important Advantages

It is important to recognize that banks have valuable characteristics that new entrants cannot easily replicate. This includes long-standing and trusted customer relationships, built while operating in a highly regulated environment, and often offering a broader range of cash management solutions to service the broader relationship. For larger regional and global banks, a physical presence across multiple markets which provides direct access to local clearing schemes and a deep understanding of local market conditions and regulations – unlocking speed and efficiency.

The difficulty is that these strengths do not automatically translate into a better client experience, especially when banks haven't invested in the customer journey. The strategic task for banks is to bring institutional trust and digital ease together to elevate the end-to-end customer journey, to deliver interoperable and multi-payment method experiences, combined with value-added services, that deliver on speed, cost efficiency and transparency.

Real-Time Expectations Are Becoming the Baseline

The growth of domestic instant payment schemes has been a major factor in resetting expectations. Cross-border instant payments are emerging quickly – although sometimes limited in footprint due to scheme rules not always allowing for cross-border payments. Even when international flows cannot yet be truly instant from end to end, customers increasingly expect real-time experience: always-on access, immediate confirmation, predictable cost, clear status information and rapid exception handling.

The evolution of cross-border payments is also reshaping how banks think about the suitability of different payment types. Through Citi, Real-Time Account-to-Account (A2A) payments can be offered through a variety of payment methods, from Real-Time Cross-Border Funds Transfer (Wires), Cross-Border Instant Payments or Citi® Token Services - Citi's blockchain enabled digital asset solution, leveraging tokenized bank deposits to move USD instantly across its network. Citi's Real-Time Cross-Border Wires support payments in multiple currencies and are a direct and positive contradiction to the broader industry view that 'traditional' payments are slow. This illustrates the strength of Citi's proprietary network.

However, many customers are less focused on the underlying rail and more on the outcome. They want to know how quickly funds can reach the beneficiary account, how much visibility is available through the payment journey, and whether the experience is reliable, predictable, safe and secure.

A bank may be able to settle a payment quickly, but the experience will not feel genuinely real-time if processing remains batch-based, liquidity management is constrained by cut-off times, or customer support is available only during traditional business hours. The future operating model must extend real-time thinking across processing, data, support, liquidity and reconciliation.

For many banks, this is hard to achieve. Legacy technology stacks, competing investment priorities and budget constraints can slow transformation. At the same time, banks' customers are not waiting. Corporates are under pressure to support global commerce around the clock, pay gig-economy and marketplace workers quickly, make supplier payments predictably, and deliver better digital experiences to their own payees. When their bank cannot support those expectations, alternative providers will look to fill the gap.

Modernize the Core, Then Build Beyond It

Winning in payments begins with the core. Banks need resilient, scalable infrastructure that can support more currencies, more payment methods, richer data and faster processing. The migration to ISO 20022 has created an opportunity to improve payment data quality, automation and interoperability. Application programming interface (API) connectivity can make payment initiation, foreign exchange pricing, status tracking and reporting more flexible. A partner that provides direct access to clearing systems, reduces intermediary layers and improves speed, transparency and control.

Core modernization is the starting point for the next phase of competition, which will increasingly be defined by services beyond the transaction. Banks need to help their customers choose the right payment route, understand cost and timing trade-offs, access live foreign exchange rates, track payments, reconcile automatically and manage exceptions intelligently. The payment becomes part of a broader experience rather than a standalone instruction.

A modular approach is possible: Banks do not need to go through a major overhaul, replace or upgrade existing infrastructure. A bank may continue using Swift MX for payment initiation while using APIs for live FX, payment status or validation services. This type of targeted adoption or plug and play can create near-term value for banks – and their customers – without requiring a full-scale rebuild.

Optionality Will Define the Future

Future payment strategies will need to support multiple rails and technologies. Real-Time Account-to-Account payments, cards, wallets, ACH, stablecoins and tokenized deposits are likely to coexist. Different use cases will require different balances of reach, cost, speed, certainty, data and regulatory treatment. Customers will expect their banks to help them navigate those choices without imposing unnecessary complexity.

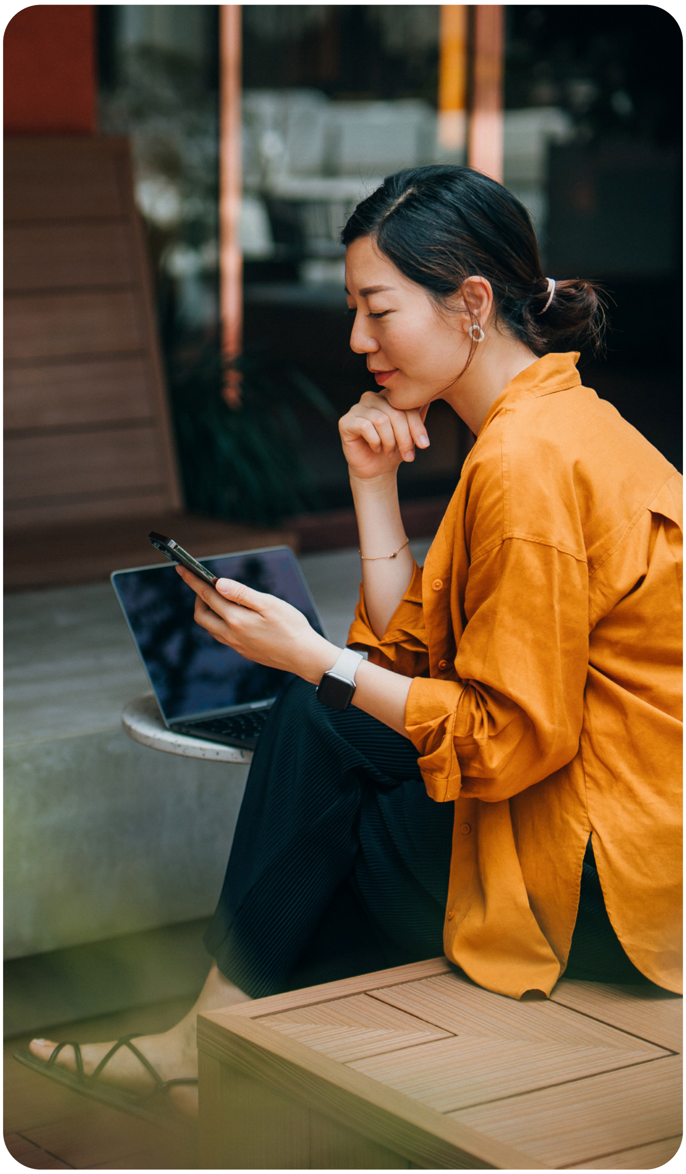
Digital assets are part of this broader optionality. Stablecoins and tokenized deposits have moved from experimentation toward more practical application, especially for use cases where speed, programmability and 24/7 movement are valuable. They will develop alongside fiat rails. For the immediate future, banks will need to support interoperability between traditional money movement and digital asset solutions.

Citi Token Services is one example of how tokenized bank deposits can be used to move value across a bank network in real time while remaining connected to regulated banking infrastructure. Partnerships with digital asset platforms also show how banks can participate in emerging ecosystems while still applying the risk, compliance and client-service standards expected of regulated institutions.

Partnership Is a Strategic Choice

For most banks, a key decision is about where to differentiate and where to partner. Domestic payments may be an area where a bank needs to own infrastructure and the customer experience directly. Cross-border payments, by contrast, require reach, currency coverage and local clearing access that are expensive and time-consuming to build independently.

As mentioned, many banks grapple with legacy tech stacks and sometimes funding constraints. This places increasing importance on banks finding the right strategic partner that can help banks achieve digital transformation, ideally without major development work and implementation effort. The right partner understands a bank's needs and delivers through discovery, workshops and co-creation.



Strategic partnerships can allow banks to extend capability and elevate the customers experience quickly, preserving the customer relationship with minimum development effort. For example, Citi's WorldLink® solution gives bank clients access to Citi's entire payments network, all from a single account. Available via Swift MX, Secure File Connectivity or API, clients can access a broad range of real-time cross-border payments, paying into accounts, wallets and cards, combined with a range of API plug and play features and value-added services. Similarly, Citi's 24/7 USD clearing network enables banks to facilitate near-instant, cross-border US dollar transactions for clients around the clock.

Partnerships should play a role in every bank's operating model as an enabler to help customers achieve their objectives. Banks need to orchestrate capabilities from internal systems, correspondent partners, fintechs, digital asset providers and market infrastructures into a coherent client proposition. Customers should experience a simple, reliable outcome, regardless of how many parties, rails or systems sit behind it.

Against this backdrop, Citi is emerging as a partner for banks looking to adopt industry-wide initiatives like the Swift Payments Scheme without having to build the underlying capability themselves. As a Gateway Intermediary, Citi enables partner banks to connect directly to the Scheme through WorldLink—with no need to open new accounts in destination markets—while gaining access to a single platform that connects to multiple payment systems, including the Swift Payments Scheme, wires in approximately 135 currencies, ACH, wallets, and additional instant payment corridors. This lets banks accelerate the implementation of their payment strategies, converting what would otherwise be a multi-year, multi-corridor build into a single, streamlined integration. Citi's active role on the Swift Retail Design Group also means partner banks benefit from a partner that is contributing to the Scheme's design and development—from Real-Time Wires to wallet payouts—rather than simply reacting to it. In doing so, Citi helps banks deliver directly against the G20's cross-border payments targets of speed, cost efficiency, and transparency with payments that are designed to be fast and available 24/7, with features for end-to-end traceability and cost transparency, all while preserving the client bank's own customer relationship and experience.

AI Can Reshape the Experience

As payments become faster and more varied, differentiation will depend less on access to payment rails and more on how effectively banks use data and technology to improve the customer experience.

Artificial intelligence (AI) can help banks improve routing, detect fraud, reduce false positives, enhance sanctions screening, predict exceptions, support client service and automate reconciliation. It can also help address margin pressure by reducing manual intervention and improving straight-through processing.

AI should make payments simpler for clients. A customer should be able to understand the best available route based on cost, speed, certainty and beneficiary preference – and also identify missing or incorrect information before a payment fails. Banks' customers should receive clearer explanations when an exception occurs. Over time, payments interfaces should become less like product menus and more like intelligent decision tools.

Six Priorities for Banks

1. **Design for intelligent simplicity**
   Keep the customer interface simple and intuitive, while managing cross-border complexity in the background.
2. **Build trust through transparency**
   Give customers upfront visibility on fees, FX rates, timing, payment status and available routes.
3. **Modernize for 24/7 operations**
   Extend real-time capability beyond settlement to processing, servicing, reporting, and exception management.
4. **Prioritize interoperability**
   Build flexible architecture that can connect across rails, partners, digital assets and data services.
5. **Use partnerships strategically**
   Preserve the customer relationship while extending reach and functionality through the right external capabilities.
6. **Move beyond the transaction**
   Compete through value-added services such as validation, intelligent routing, FX integration and transparency, real-time tracking, reconciliation, analytics and intelligence.

Turning Strategy Into Market Advantage

The cross-border payments market is still growing, but the competitive window is narrowing. Banks that move incrementally may find that new entrants advance from niche use cases into core flows and client relationships. Banks that combine trust, scale and regulatory strength with real-time, data-rich and client-centric experiences are better positioned to compete – and win.

For many institutions, the next step will be deciding where to invest directly and where to work with partners that can extend their capabilities at speed. Citi's global network, track record of consistent investment in technology, and commitment to practical innovation can help banks deliver better payment experiences for their customers.

In a market where payment expectations are increasingly shaped outside banking, the prize is the ability to remain central to the customer relationship. Banks that treat payments as an experience, an anchor for relationships, and a platform for future growth will be better positioned to succeed as the movement of money becomes faster, more intelligent and more deeply embedded in the digital economy.

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