

Understanding Digital Cross Border Payments with Special Emphasis on Australian Foreign Exchange Market

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Abstract:

In the globalized financial landscape, digital cross-border payments have become a pivotal aspect of international trade and finance. This study offers a comprehensive exploration of digital cross-border payments, focusing particularly on the Australian foreign exchange (forex) market. By delving into the intricate mechanics of these transactions, the research aims to enhance the understanding of how digital payment systems are reshaping the way businesses and individuals engage in cross-border transactions. The study provides an overview of the Australian forex market, highlighting its significance and dynamics in the context of digital payments. Through a combination of quantitative analysis and case studies, the research uncovers the factors influencing the adoption of digital cross-border payment solutions, ranging from technological innovations to regulatory frameworks. The abstract emphasizes the challenges and opportunities presented by these payment systems, including security concerns, transaction efficiency, and cost-effectiveness. By shedding light on the nuances of digital cross-border payments in the Australian forex market, this study contributes to a broader understanding of the global financial landscape's ongoing transformation. It offers insights that can aid financial institutions, businesses, policymakers, and researchers in navigating the evolving realm of digital finance and international transactions.

Keywords: Digital Cross-Border Payments, International Trade, Finance, Australian Foreign Exchange Market

Introduction to Cross-Border Payments:

Globalization is driving corporations to transact more frequently across borders. Casual observation, as well as data from myriad public and private sources, confirms this. But consumers are also transacting more on a global basis buying from foreign eCommerce sites; traveling, living, and working abroad. For the payments industry, the result is higher volumes of payments—in terms of both currency value and number of transactions. Interestingly, this is also leading to a consequent shift downwards in the average value of these payments. As this paper will show, the ways these payments are made can be cumbersome, error prone, and expensive. Growth, after all, is often messy.

Payment systems was set up decades ago continue to be used sometimes retrofitted, sometimes force-fitted to meet the needs of modern corporations. And, not infrequently, the systems creak and groan as they bear the strain. For users of these systems, on both the paying and receiving sides, it can be difficult and time consuming to learn how to use cross-border payments tools, and how to set up processes to make optimal use of them. Solution providers (both banks and non-banks) also face challenges, struggling to cobble together old systems to meet new demands. But for these providers, cross-border payments are both lucrative (especially given foreign exchange conversion revenue) and rewarding, in terms of the overall financial relationship created with the end customer. The challenges for global payments are not simply those resulting from volume increases.

A number of economic, political, and technical forces are changing the types of cross-border transactions conducted. Consider these factors:

Corporations are making more cross-border purchases of services (as opposed to goods), as well as more purchases of complex fabricated parts rather than simple raw materials.

- Enterprises are purchasing from more countries, in more regions.
- Increased outsourcing is leading to new in-country and new cross-border intra-company transactions.
- More enterprises are participating in complex, automated supply chains, which in some cases drive automatic ordering and fulfilment
- Online purchasing continues to grow, both by large enterprises as part of an automated procurement systems and by smaller enterprises purchasing directly.
- There is continued growth in the use of cross-border labour.
- Individuals are increasingly taking their investments abroad

Categories of Cross-Border Payments:

- A) Supplier, or B2B, payments are made when one enterprise pays another. These payments may be made to regular, well-known parties or to occasional or one-time suppliers. In these transactions, the supplier frequently extends credit to the buyer—or may demand a letter of credit or other form of credit assurance.
- B) eCommerce purchasing includes not only the purchase of physical goods (with all of the challenges of shipping, customs, and taxation) but also the travel and entertainment, digital services, and digital goods domains.
- C) Payroll, retirement, and benefits payments are made by enterprises to counterparties in other countries. The payees are most often individuals, but this category can also include various B2B-like payments to licensees, franchise participants, and digital contract labourers.
- D) International remittances are payments made by foreign workers to family members in home countries. As any given worker is apt to make payments to only one country, this domain is measured by country pairs, or “corridors.”

Size of the Cross-Border Payments Market

The cross-border payments market is very large. For the purposes of this analysis, we are excluding settlement of financial market transactions, but the four categories described above can be sized using publicly available sources:

- A) Supplier, or B2B, payments are financial transactions associated with import of goods and services. Sources put global imports at approximately US\$13–15 trillion. Payment revenue associated with these transactions, which includes both fees and FX components, is a rich source of earnings for global correspondent banks.
- B) The bulk of eCommerce transactions are domestic; that is, consumers and businesses buying from eCommerce merchants based in their own countries. However, approximately 15% of eCommerce transactions are made by overseas buyers. This is fuelled by large eRetailers in developed markets that localize their sites for sales to consumers in rapidly growing markets such as China and Brazil. In some markets (e.g., Canada and Australia), cross-border eCommerce is as high as 40% PayPal reports that nearly 25% of its transactions are cross-border; a significant portion of its volume is eCommerce, although it also handles significant B2B and remittance payments.
- C) Payroll, retirement, and benefits payments to current and former employees living overseas are a relatively small but constant component of corporate payroll. In addition, affiliate/royalty pay-outs are growing and expanding in scope to support global online advertising networks and application marketplaces, as is the use of overseas contract labour for activities such as software development.

- D) Remittance payments to developing countries from foreign workers to friends and family in their native countries totalled \$325 billion in 2010, according to the World Bank. Remittances to developing countries are expected to exceed \$400 billion by 2013.

How International Correspondent Banking Works

International correspondent banking is, in essence, a giant, decentralized network. Each bank makes a decision as to how it wants to handle cross-border payments for its clients. These decisions can be and often are different for paying and receiving funds, and for different countries or categories of payments (e.g., B2B payments vs. person-to-person remittances).

Let's look at an example. Bank A, in Argentina, has a domestic customer that wants to send funds to a supplier in Singapore. That supplier has sent its customer the details of its bank account at Bank B in Singapore. Bank A receives the payment instructions from its customer (through its online banking system). Bank A has chosen a domestic correspondent in Argentina, Bank C, to handle these payments; it makes a payment to Bank C through its in-country wire transfer system. At this point, Bank A is finished! Bank C has an arrangement with Bank D in Singapore to handle such transactions. Bank C notifies Bank D that it wants a wire transfer sent from Bank D to Bank B, to credit Bank B's customer. Bank D effects the transaction and Bank B receives funds which it credits to its customer's account. All pretty straightforward but one piece is still missing. Bank C has the money and Bank D has sent it out how are these positions settled? In this example, as a part of their correspondent banking relationship, Bank C and Bank D have agreed to settle their transactions daily, on a net basis, by making funds available/withdrawing funds from a set of accounts both banks hold in this example at Bank E, in London.

Challenges in International Correspondent Banking There are great advantages to users of the current system of international correspondent banking. As virtually all banks participate in some manner, it is global by definition, broadly understood within the banking industry, and comprehensive in its reach. Such a decentralized, non-standardized approach has inherent problems, however problems that can cause pain for some corporate and retail customers. Challenges include:

- No direct relationship with downstream banks. If a problem occurs (for example, a payment is not received), the sending company and its bank may not be able to trace the transaction quickly or reliably.
- Cost. With multiple banks involved, each charging a fee and/or taking some share of the foreign exchange revenue, these transactions can be expensive for end users. Often, end users do not know whether costs are also assessed to their counterparties.
- Limited data transport capabilities. The payment initiator may wish to send information with a transaction; with multiple bank intermediaries involved, it may not be possible to reliably carry that data through to the receiving party.
- Barriers to change. In a decentralized system, it is relatively difficult to implement change. There is no central authority to mandate or direct new processes. Of course, we should acknowledge that SWIFT does play an important role in enabling change through setting and promoting new standards. But it cannot dictate the terms of correspondent banking relationships so that there is no uniform way, for example, for a sending bank in one country to change the ways in which payments are made by its correspondents in receiving countries. For example, attempts to migrate more transactions to ACH from wire still demand tedious and laborious point-by-point negotiations and implementation procedures.

Alternative Cross-Border Payments Methods

The correspondent banking example we describe above is one in which both the paying and receiving parties deal directly with their banks. There are also many different types of alternative services that handle cross-border payments for payers and/or payees. As a group, these services effect the payment transaction for one or both end parties through proprietary systems and networks. They then settle the transactions financially by dealing with correspondent banks Cross-Border Payment Perspectives themselves, frequently on a net basis. These services fall into several categories:

- **International money remitters:** Companies such as Travelex and Western Union offer branded payments services to consumers and enterprises, usually with a variety of “money in” and “money out” options. Some banks, most notably Citibank with its WorldLink service, offer similar productized alternatives to traditional correspondent banking services. Some of these companies offer such services to both enterprises and banks in effect outsourcing some aspects of international correspondent bank relationship management.
- **Payments services providers:** An emerging and evolving group of providers, such as Earthport, offer account-based payments transaction services for both end users and banks.
- **Global card networks:** Card networks including MasterCard, Visa, and American Express create the effect of seamless cross border payments transactions. “Under the hood,” the card networks handle foreign exchange conversion and settlement among participating banks, which are required to follow the networks’ operating rules.
- **FX brokers:** In many countries, these brokers supply the needs of high-volume cross-border payments transactors, bundling management of foreign exchange conversion risk with the mechanics of payments.
- **Online payments services:** Services such as PayPal and Moneybookers are similar to the international money remitters, but focus on online-originated transactions, often (but not always) linked to online purchases.
- **Global payments gateways:** Businesses such as Global Collect, Digital River, and CyberSource (now owned by Visa) specialize in helping eCommerce merchants collect funds from crossborder customers. The paying customers, usually consumers or smaller businesses, can use familiar local payments systems to effect the payments.
- **Global ACH:** This term is used somewhat loosely to refer to efforts to connect domestic ACH or Giro systems in various countries. The IPFA (International Payments Framework Association), with the support of players including the U.S. Fed and the European processor Equens, is working on protocols to enable one bank’s customer to pay a foreign bank’s customer through linked ACH. Note that notwithstanding the use of terms such as “global ACH” and “international ACH,” there is no single global ACH payments scheme. IPFA, for example, primarily sets standards. Individual end users, and banks, must still establish business relationships with other participants in order to take advantage of existing capabilities.

Implications on Cross-Border Payments are Ripe for Change Cross-border payments

Corporate instalment s initiators are disappointed by cross-fringe instalment s arrangements, yet all the while demonstrate an inclination to keep on paying through their banks. It might be that they can't envision an option. However the innate many-sided quality of global journalist managing an account, and the subsequent powerlessness to anticipate instalment timing or track wayward exchanges may drive facilitate disappointment as cross-outskirt instalment volumes increment. Resilience for wasteful and expensive arrangements will lessen as volumes increment, especially as pale financial recuperation additionally drives cost-curtailling office staffing. The distinction between corporate instalment initiators' ACH taken a toll

desires and the operational reality of instalment by means of universal reporter managing an account is probably going to cause dismay for brokers in the following couple of years. Item supervisors in the ACH payment storehouse anxious to understand for corporate necessities may unintentionally challenge the income desires of their wire and journalist managing an account division. Such inside clashes could postpone bank activity, empowering non-bank suppliers to fill the hole in spite of corporates' expressed inclination to acquire instalments administrations from banks.

SEPA Transfers

SEPA remains for the Single Euro Payments Area and speaks to another arrangement for worldwide bank exchanges inside Europe. The SEPA zone contains 34 nations, including 28 EU part states close by Iceland, Monaco, Switzerland, Liechtenstein, Norway and San Marino. It was made to rearrange cross-fringe cash moves in Euros, the main money SEPA underpins.

From numerous points of view, a SEPA exchange is like a local exchange. Generally, banks that help SEPA exchanges either have coordinate connections set up or a system of mediator banks, hence enabling exchanges to keep running crosswise over nation fringes.

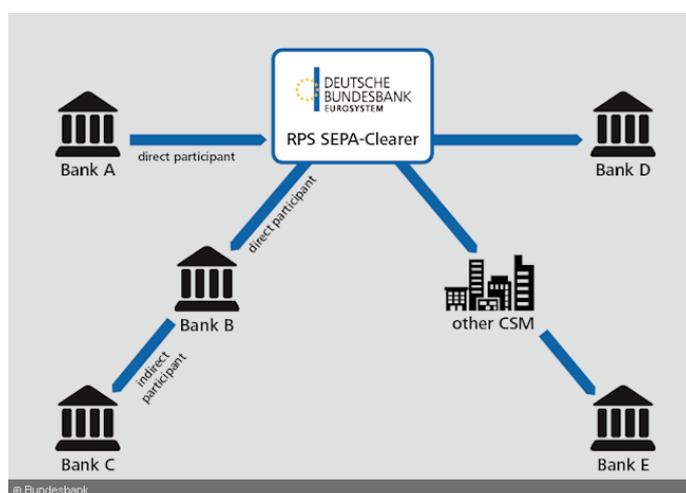
We should return to our past case and expect that John is sending Alice €20, and that the two banks are a piece of SEPA. In the event that the two banks have business accounts held with each other, at that point the stream of cash is the same as our first case in this post:

1. John's (Bank 1) will charge John's own record by €20.
2. John's bank will credit Bank 2's business account held with Bank 1 by €20.
3. Alice's (Bank 2) will credit her own record by €20.

In the event that they don't have a set up relationship, the exchange will go through a national financial balance in Europe, allows simply call it the European Central Bank for our illustration. In an extremely disentangled manner, this is the way the cash would stream:

1. John's bank will charge his record by €20
2. John's bank will credit their business account held with the European Central Bank (middle person bank) by €20
3. The ECB will then credit Alice's bank by €20
4. Alice's bank will credit her record by €20

There is in reality increasingly that goes ahead off camera, yet with the end goal of this article, we won't go into more points of interest.



More critical than how it functions, is the thing that SEPA exchanges bring to the table:

- Allows you to make cross outskirt instalment s in Euros ✓
- Transfers for the most part take 1 day to achieve the beneficiary's record ✓
- Transfers are for the most part free for both the sender and recipient ✓

A few banks will at present charge an expense for making or accepting a SEPA exchange.

Cross border money transfers in India

India is relied upon to hold its best spot in drawing in abroad settlements from its diaspora to family back home, as indicated by the World Bank. Among significant settlement beneficiaries, India holds its best spot, with settlements anticipated that would add up to \$65 billion this year, trailed by China (\$61 billion), the Philippines (\$33 billion), Mexico (a record \$31 billion), and Nigeria ((\$22 billion), said a discharge by the multilateral office on Tuesday.

Worldwide settlements to low-and center salary nations are required to recoup this year following two back to back a very long time of decrease, says the most recent version of the World Bank's movement and advancement brief, discharged on Tuesday. The Bank evaluates that settlements to creating nations are required to develop by 4.8% to \$450 bn for 2017. Worldwide settlements, which incorporate streams to high-wage nations, are anticipated to develop by 3.9% to \$596 bn.

The recuperation in settlement streams is driven by moderately more grounded development in the European Union, Russian Federation, and the United States. Therefore, those districts prone to see the most grounded development in settlement inflows this year are Sub-Saharan Africa, Europe and Central Asia, and Latin America and the Caribbean.

In the Gulf Cooperation Council (GCC) nations, financial fixing, because of low oil costs, and approaches demoralizing enrolment of outside labourers, will hose settlement. In 2018, settlements to low-and center wage nations are relied upon to rise unobtrusively by 3.5 for every penny to \$466 billion. General worldwide settlements are required to ascend by 3.4% to \$616 billion of every 2018.

Outbound settlements by singular inhabitants touched another high of \$1.2 billion in January, as indicated by Reserve Bank of India information. Total outpourings in the initial 10 months of this budgetary year were \$8.17 billion, contrasted and \$4.6 billion in a similar period a year prior. Occupant Indians can send up to \$250,000 every year to their relatives abroad for specific costs, including select ventures. Some are making long haul wage roads for their abroad recipients.

The report noticed that two main considerations adding to high expenses are selective organizations between national mail station frameworks and any single cash exchange administrator (MTO), which smothers showcase rivalry and permits the MTO to raise settlement charges, and de-gambling by business banks, as they close ledgers of MTOs, keeping in mind the end goal to adapt to the high administrative weight went for diminishing illegal tax avoidance and money related wrongdoing.

The foreign exchange market

Structure of the market

The FX market operates globally in various financial centres in different parts of the world. There is no physical marketplace or exchange for trading. Since trading spreads across different time zones, the market effectively operates 24 hours a day. Although the foreign exchange market operates around the clock, transactions are concentrated around the major centres. Examples of these financial centres, in order of their respective time zones, are Sydney, Tokyo, Hong Kong, Singapore, Zurich, Frankfurt, London, New York and San Francisco.

The market has no formal operating hours and there is no specific geographical location for trading. However, current market practice is for the dealing week to commence on Monday at 5:00 am in Sydney, then to operate continuously until 5:00 pm Friday afternoon in New York. The market is linked by means of electronic dealing systems such as Reuters and Bloomberg as well as deals done directly between participants via telephone. The foreign exchange market may be considered to being as close to a “perfect” market that has yet been developed in that it has a large number of active buyers and sellers, a free flow of information that is readily translated into movements in price, and most of the products are homogeneous globally. These factors all lead to a deep and highly liquid market with excellent price transparency.

Transactions in the foreign exchange market may relate to trade transactions, offshore borrowings or investments, infrastructure deals or speculation on market movements. Foreign exchange transactions for trade-related purposes are completed to support an underlying trade transaction. This may just be buying the currency to make or receive payment for the transaction. It can also be a transaction undertaken to reduce the amount of risk from currency movements, and this is known as hedging. Transactions undertaken for speculative purposes are intended to make profits from anticipated movements in exchange rates and hence there is no underlying trade transaction. As there is no requirement – especially in countries with limited exchange controls – to state why the transaction is being undertaken, it is difficult to determine the percentage of each type of transactions undertaken each day. Most official estimates state that in floating exchange rate regimes, trade transactions comprise less than 5 per cent of overall foreign exchange trading.

Market volume

The Bank for International Settlements (BIS) organizes a Triennial Central Bank Survey on Foreign Exchange and Derivatives Market Activity. This review is the most exhaustive wellspring of data on the size and structure of worldwide outside trade what's more, subsidiaries markets. It demonstrates that in April 2010, every day normal worldwide FX advertise turnover was USD 3.98 trillion As can be seen from the accompanying table, the main part of exchanges are attempted against the US dollar as this is as yet the most much of the time utilized for exchange exchanges all inclusive. Since the presentation of the Euro, exchanging the Euro is too developing relentlessly.

Market Participants

Market members are for the most part either entering the market for exchange exchanges or for theory; notwithstanding, a few members in the market will do both. Merchants will likewise search for arbitrage openings. Arbitrage happens when an exchange is executed to exploit a transitory valuing abnormality between chose sets of monetary forms. The objective of the exchange is to create a hazard free benefit. The part of every member will be audited beneath in detail.

Australian Foreign Exchange Markets

Two broad types of bodies regulate financial markets in Australia – government regulatory organisations and self-regulatory organisations (SROs).

Government regulatory organisations

The key government regulatory organisations are:

- Australian Securities and Investments Commission

The Australian Securities and Investments Commission (ASIC) enforces and regulates company and financial services laws to protect consumers, investors and creditors. An independent Australian

government body, ASIC has regulated financial markets, securities, futures and corporations since January 1991. It subsequently became responsible for consumer protection in superannuation, insurance, deposit taking and consumer credit. The ASIC directly supervises trading markets such as the ASX market

- Australian Prudential Regulation Authority

The Australian Prudential Regulation Authority (APRA) has responsibility for the control of prudential requirements for banks and other Authorised Deposit-taking Institutions (ADIs), Life and General Insurance, Friendly Societies and Superannuation Funds (excluding Self-Managed Superannuation Funds).

- Australian Transactions Reports and Analysis Centre

The Australian Transactions Reports and Analysis Centre (AUSTRAC) is Australia's antimoney laundering and counter-terrorism financing regulator and specialist financial intelligence unit. The two key areas it effectively regulates are the gambling sector and the financial sector.

- Australian Taxation Office

The Australian Taxation Office (ATO) administers tax legislation and is responsible for regulating all self-managed superannuation funds.

- Self-regulatory organisations

Government policy supports the active work of self-regulatory organisations (SROs). Self-regulation is said to be effective because of the following:

Industry-specialised knowledge of SROs.

SROs have an incentive to operate a fair, financially sound and competitive marketplace. Reputation and competition are powerful motivating forces for sustained proper behaviour. The contractual relationship that an SRO has with the individuals and entities that it regulates can be powerful, with a global reach, and may mean the observance of ethical standards that go beyond government regulations. Generally, SROs can be more flexible than government organisations and can respond more quickly to major issues.

Transparency and accountability of SRO compliance programs.

Self-regulation allows for more diversity in methods of compliance with rules and regulations than may be possible for government regulators. Coordination and information sharing between SROs help to bring together different interests on specific regulatory issues. Limitations on the effectiveness of SROs include the inherent conflicts that may exist between managing the needs of different stakeholders: government, investors, consumers and the industry. Financial sector self-regulatory organisations in Australia include:

The Australian Securities Exchange Limited (ASX) operates Australia's primary national stock exchange for equities, derivatives and fixed interest securities. The ASX governs listed companies and the on-exchange or on-market trade execution by brokers.

Financial Services Council (FSC) – covering fund managers

Australian Superannuation Funds Association (ASFA) - covering superannuation funds

Australian Financial Markets Association (AFMA) – covering participants in the over-the counter wholesale financial markets

Institute of Actuaries of Australia (IAA) – covering actuaries

CPA Australia (CPA) and the Institute of Chartered Accountants in Australia (ICAA) and the Institute of Public Accountants (IPA) – each covering accountants

Stockbrokers Association of Australia (SAA) – covering stockbrokers

Finance and Treasury Association (FTA) – covering corporate treasury professionals

The Financial Planning Association of Australia (FPA) and the Association of Financial Advisers (AFA) are professional associations whose members are financial planners.

The Australian Custodial Services Association Limited (ACSA) is the peak industry body representing members of Australia's custodial and investment administration sector.

Evolution of financial regulation in Australia

Financial Services Reform Act Australia is highly regarded in terms of its financial services regulatory framework. This reputation reflects the significant structural changes to regulatory arrangements that took place in March 2002 under the Financial Services Reform Act (FSR Act).

A range of reforms to the regulatory framework was introduced because of recommendations made by a Financial System Inquiry (Wallis Inquiry). The Wallis Inquiry had a mandate to examine likely future directions and changes in the financial sector and to determine the implications for effective financial sector regulation.

The most fundamental of these reforms was a restructuring of the responsibilities for oversight of the financial system. An important feature of these changes was to delegate responsibility for supervision of the sector along functional (what services they provide) instead of institutional lines (what types of institution they are).

The key objective of the reform process was to create a regulatory framework that was as streamlined and efficient as possible while maintaining high standards of market integrity and consumer protection. The framework also had to be flexible enough to facilitate the high level of innovation required of financial institutions operating in an increasingly global and competitive marketplace.

The aim of the FSR Act was to create a harmonised licensing, disclosure and conduct framework for all financial service providers, and to establish a consistent and comparable financial product disclosure regime. The FSR Act aimed to ensure that Australia's regulatory framework keeps pace with best practice developments in both the international and domestic financial services industries.

The reforms also established comparable financial product disclosure requirements across all industry segments. Under the FSR Act, the Australian Prudential Regulation Authority (APRA) maintained its responsibility for the control of prudential requirements for the financial services sector. The Australian Securities and Investments Commission (ASIC) held responsibility for all the regulation of financial services, financial products and markets. The reforms introduced by FSR include:

- Uniform regulation of all financial products
- A single licensing framework for financial services providers
- Uniform disclosure requirements for all financial products provided to retail investors
- Minimum standards of conduct for providers dealing with clients
- Flexible arrangements for the authorisation of market operators and the operation of clearing and settlement facilities.

These reforms were a significant step toward simplifying the regulatory environment and thereby reducing the costs of compliance, facilitating the entry of new market participants and the introduction of new services and products. The key outcome of this approach was a set of common principles applying to:

- The regulation of deposit style products, such as bank accounts;
- Risk management products, such as insurance and derivatives; and investment products, including superannuation and managed investments.

The reforms aimed to bring flexibility and simplicity to the licensing of group structures, and to the delivery of financial services. Licensees are now subject to a variety of obligations when they, or their representatives, deal with retail clients. These include requirements for:

- Product disclosure
- Point of sale disclosure
- Needs-based advice
- Compensation arrangements (arrangements in place for compensating your clients for loss they suffer if you breach your legal obligations)
- Dispute resolution procedures
- Handling of client funds.

The disclosure regime was similarly transformed, with Product Disclosure Statements (PDS) replacing the various rules that previously governed unit trusts, superannuation funds and insurance products. ASIC indicated that in enforcing the law it will stridently enforce conduct which is, or is likely to: materially harm or disadvantage consumers; and/or undermine the confident and informed participation of consumers in the financial market.

ASIC expects financial service providers to follow the spirit and substance of the new regulations, particularly where there might be some uncertainty as to how a regulation applies (principles-based regulation). Financial service providers should act fairly, especially where their conduct involves retail clients.

Since the Wallis Inquiry, the sector has been transformed by forces such as domestic and international economic and financial crises, a substantial regulatory reform agenda, the growth in superannuation, changes in industry structure, new competitive dynamics, technology, innovation and broader macroeconomic trends.

Changes resulting from 2008 market downturn one result of the global market downturn in 2008 was a number of government-sponsored reviews arising directly from issues that arose during the downturn. As a result of these issues the Commonwealth Government introduced the following regulatory changes:

- Commonwealth regulation of consumer credit
- Addition of 'margin lending facilities' as a financial product under Australian Financial Services Licences
- A 'responsible lending' obligation on lenders
- ASIC took over supervision of securities and futures markets (e.g. the ASX) in Australia 2.3

Disclosure

Documents As previously outlined, disclosure is one of the key principles of how financial services regulation is carried out in Australia. Documents providing disclosure on financial services depend on whether the advice being provided is personal advice or general advice, and on whether the advice is being provided to retail clients or wholesale clients.

Providing personal advice to retail clients

When providing personal advice to retail clients, advisers have an obligation to provide the following three documents.

- Financial Services Guide (FSG)
- Statement of Advice (SOA)
- Product Disclosure Statement (PDS).

Financial Services Guide (FSG)

The FSG discloses the services of the adviser to the client. It must be provided to the client as soon as it becomes clear that the adviser will provide a financial service to the client. If in doubt, it is better to provide an FSG earlier rather than later.

Statement of Advice (SOA)

The SOA contains the actual advice to the client. The SOA must include:

1. the advice
2. the basis on which the advice was given
3. the adviser's name and contact details
4. the name and contact details of the license-holder's principal
5. information on remuneration and benefits payable to any person
6. details of information that might have influenced the adviser in providing the advice
7. if the advice is incomplete or based on inaccurate information, then a warning of this
8. information on replacing one product with another.

Product Disclosure Statement (PDS)

A PDS contains: significant risks of the product fees, expenses and charges taxation implications, and any other information that could influence the client.

An up-to-date PDS must be provided whenever an adviser recommends issues or sells a product. It can be given personally, sent to the client, or sent by email or faxed to an email address or fax number provided by the client. A cooling-off period of 14 days operates.

Providing general advice to retail clients

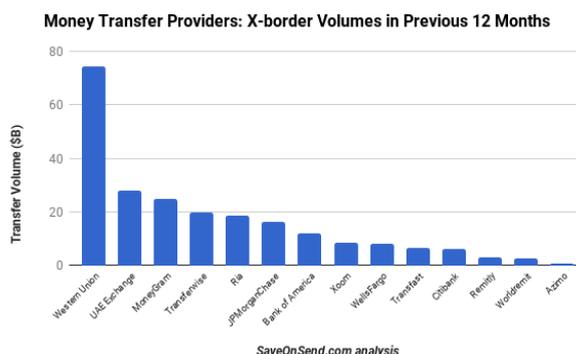
When providing general advice to retail clients a PDS must be provided.

If the adviser is providing general advice – such as in a seminar – the client must be warned that the advice does not take into account the client's circumstances.

Providing general advice to wholesale clients

When providing general advice to wholesale clients some organisations provide a PDS, however an Information Memorandum or Terms Sheet is normally provided. Analysis of International fund transfer Startups.

The best element of being a startup amid a bubble is TIME. Financial specialists, typically fretful people, are improving and urging new businesses to center around development instead of exhausting corporate stuff like "incomes" or, surprisingly more dreadful, "benefits." Why waste time with constructive money streams when speculators are loaded down with cash and more are accessible with a brisk WhatsApp message? This is particularly evident when considering such apparently simple and tremendous market as global settlements: \$0.6T in measure, administered by one, ideally, bumbling, giant:



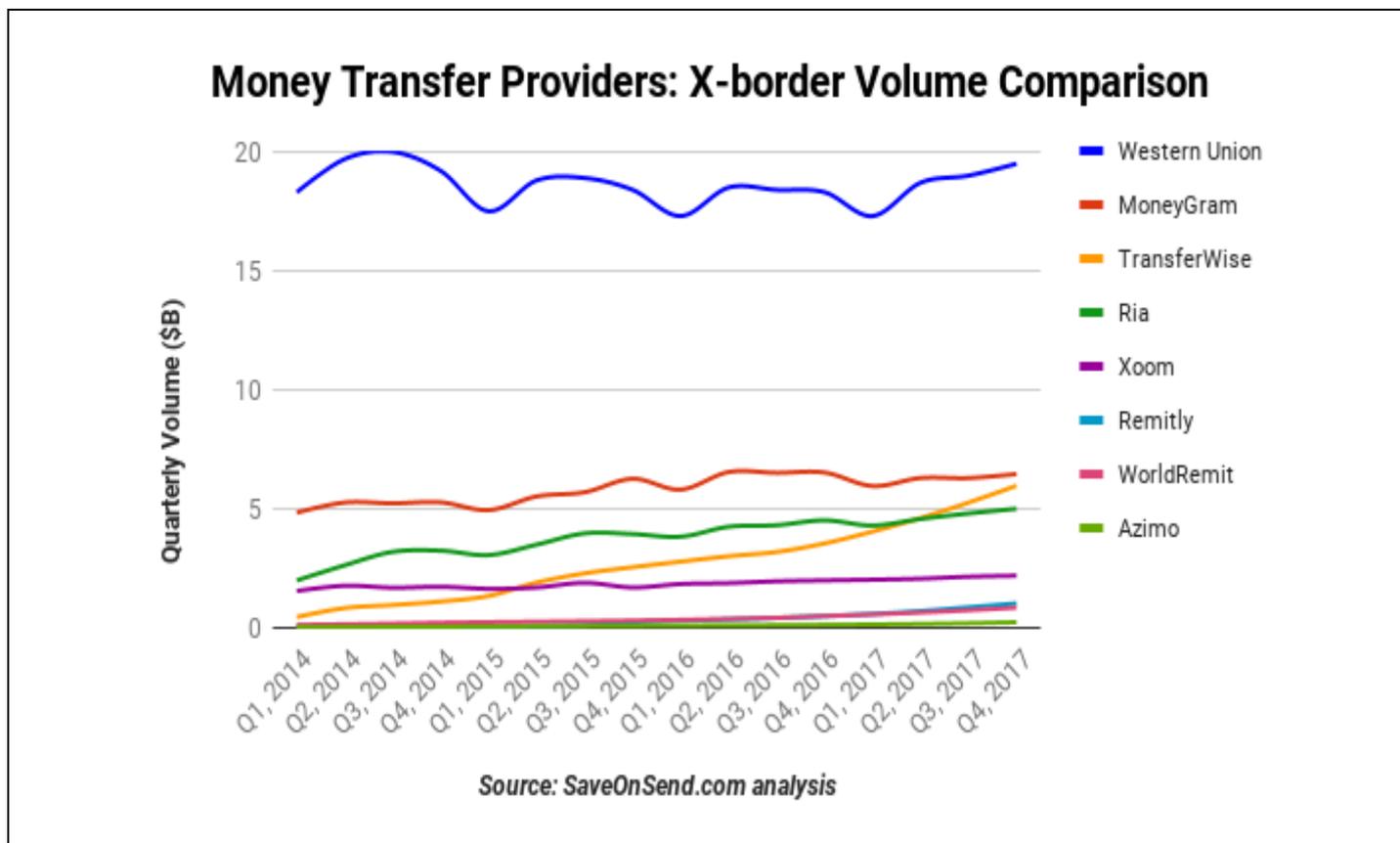
International settlements showcase is likewise extending. The World Bank is anticipating 3-4% yearly development in the coming years. All the more essentially, because of multiplication of modest cell phones and dislodging of seniors with technically knowledgeable twenty to thirty year olds, the use of portable phones for sending and getting cash may be going to soar.

Money Transfer “Disruptors”

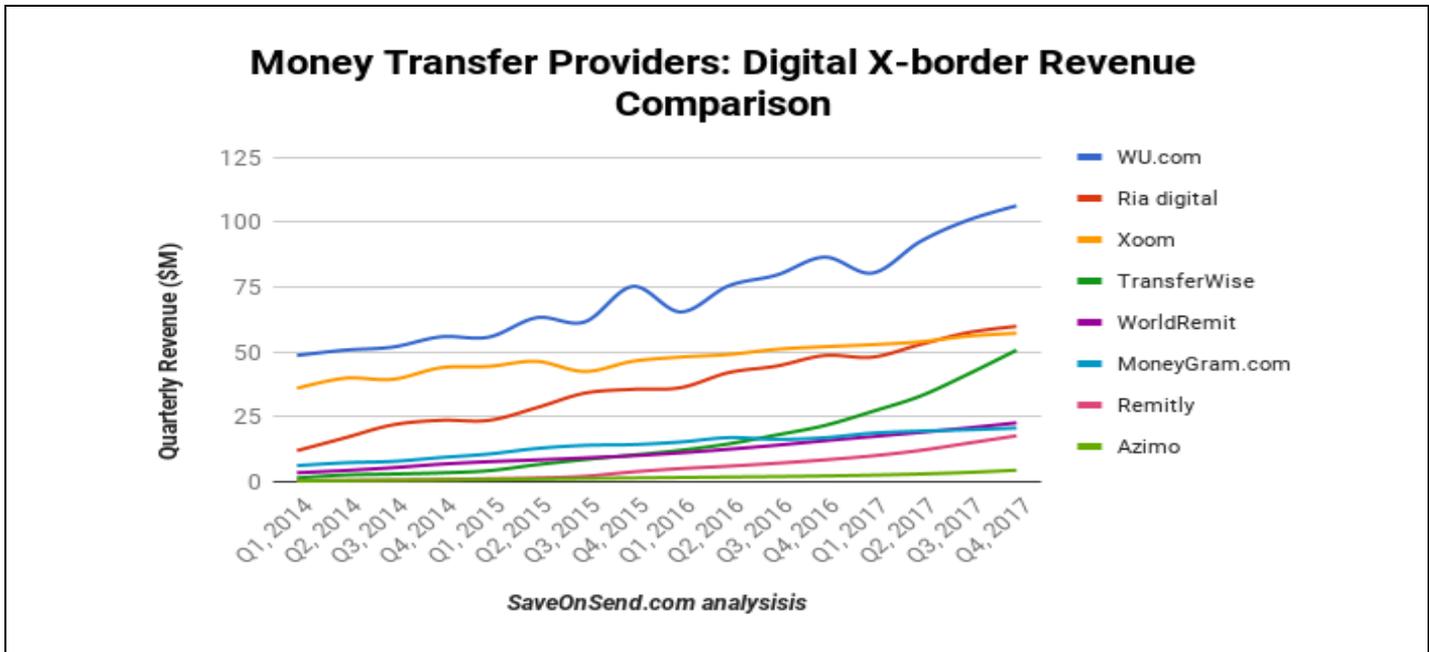
As the result, we now have 4 well-funded startups, all following Xoom’s dream from a decade ago to be a better version of Western Union:

1. WorldRemit (founded in 2009)
2. TransferWise (2011)
3. Remitly (2011)
4. Azimo (2012)

Except TransferWise, these companies remain small in comparison to the market leaders in transfer volumes...

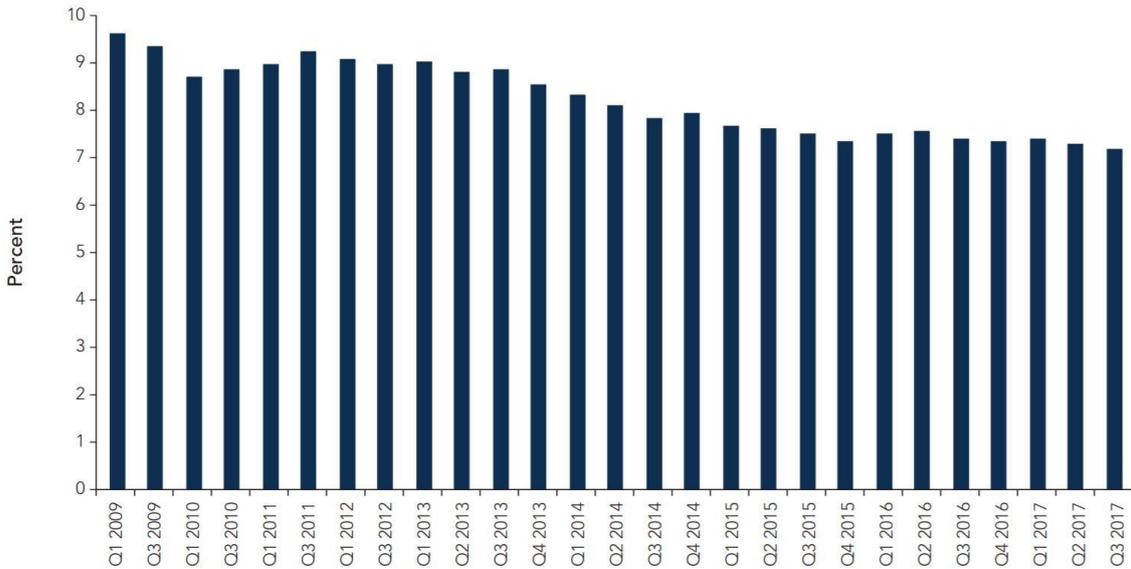


But are catching up with some incumbents in digital cross-border revenues:

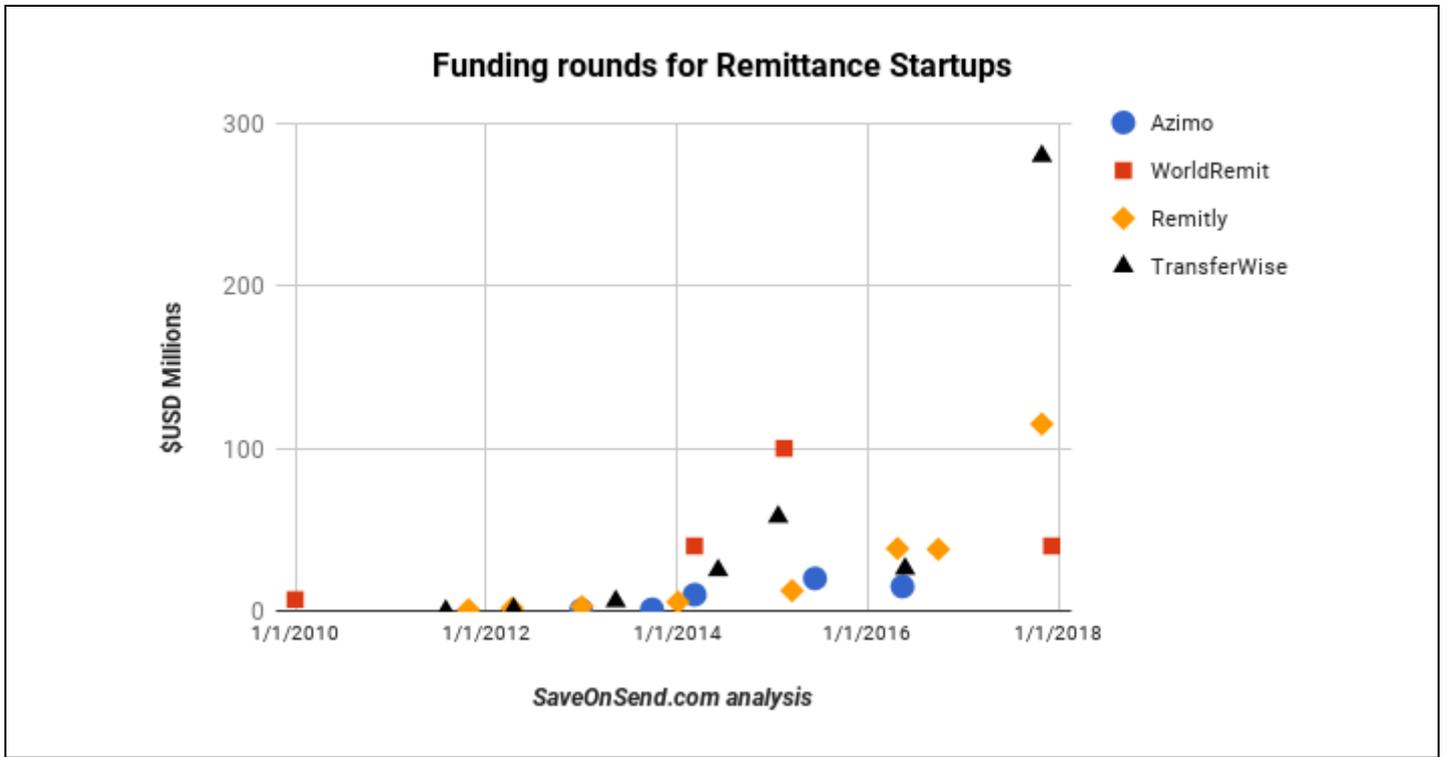


Because of targeting a small niche of digital-savvy consumers, so far Fintech has made almost no impact on cost of remittances:

FIGURE 1.4. The Cost of Sending \$200 Has Remained Nearly Flat in 2017

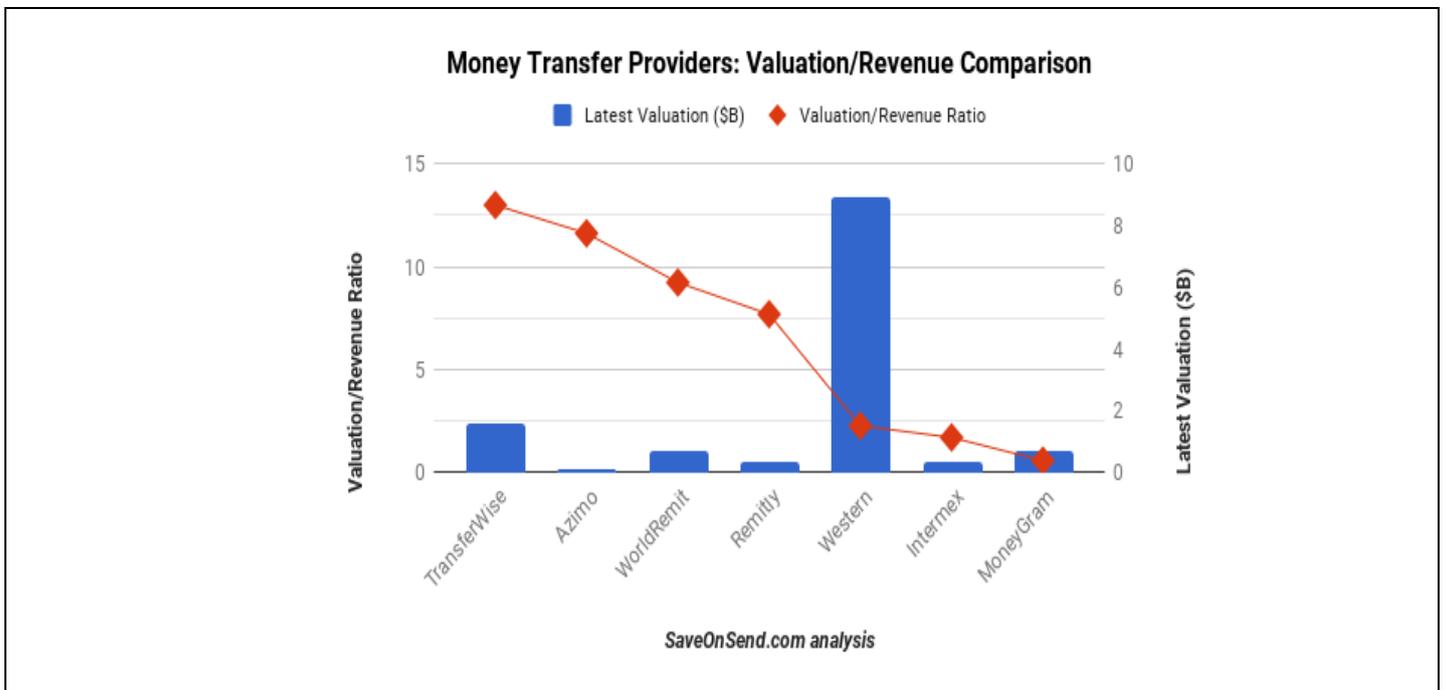


But a very broad cross-section of investors remains optimistic and have dropped close to \$1 billion on this quartet since 2010:



So Transfer Wise has received the most funding so far, then Remitly, and WorldRemit. Azimo has received the least amount.

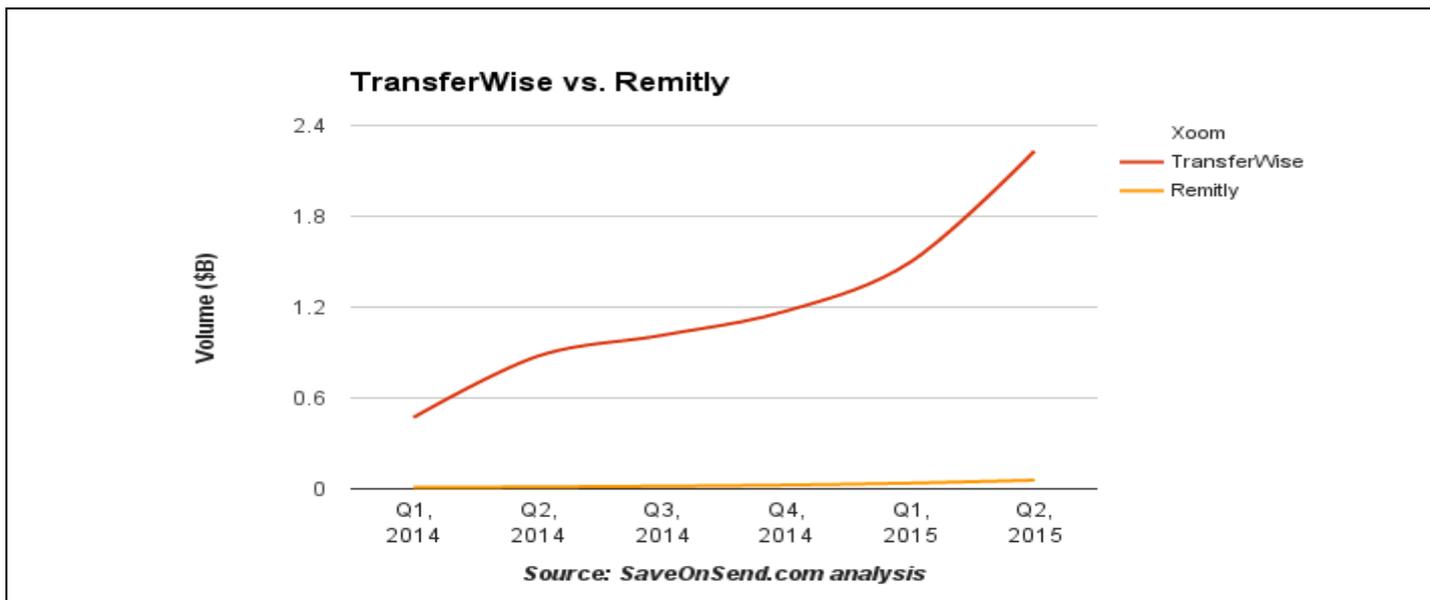
Let's now compare amounts of funding with valuations for these startups and the revenue multiples vs. industry incumbents:



Cash Transfer Startups Are Vastly Different

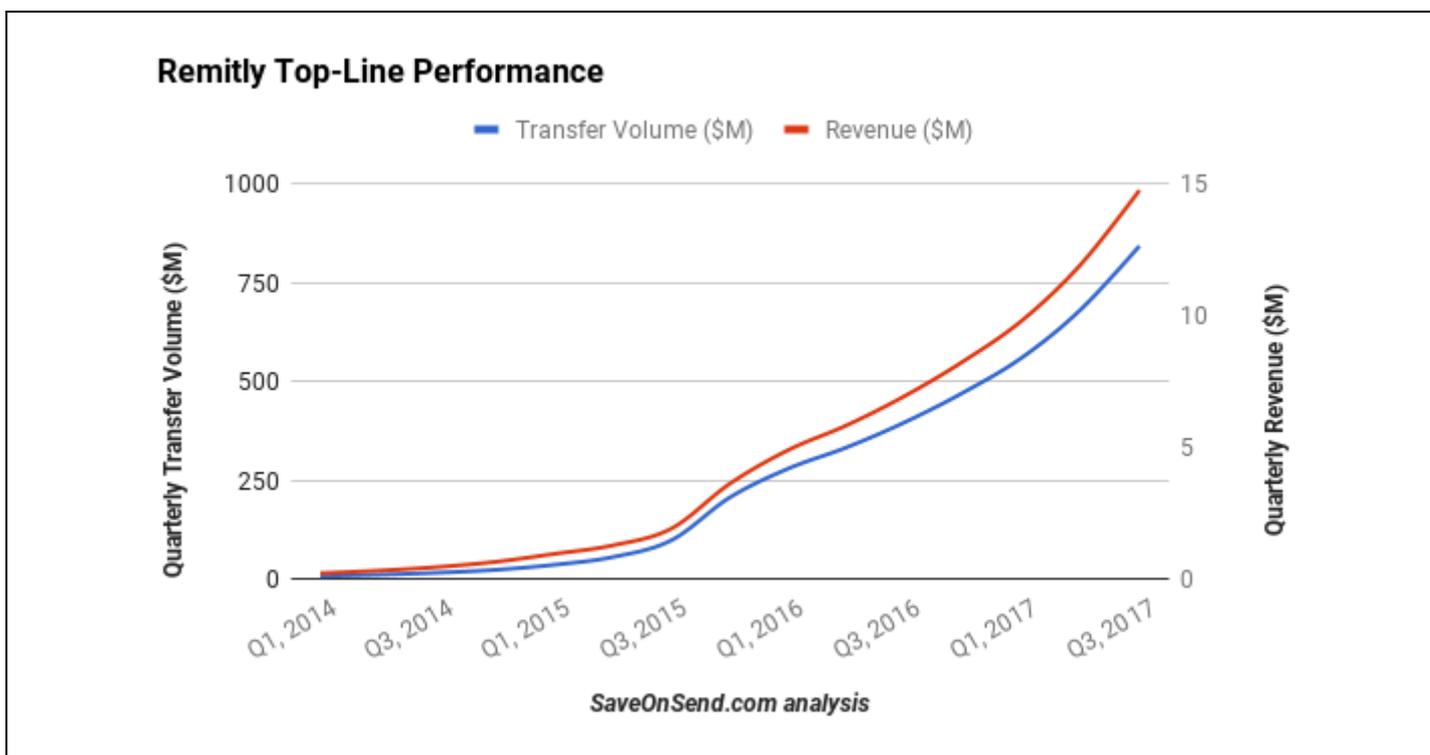
Each of the 4 new businesses got the seed round at point "0" yet what occurred next has differed essentially, both in timing and sums. Following 6 years, Remitly passed \$4 billion in annualized exchanges. It may appear like a considerable measure, however not when contrasted and Transfer Wise's direction. Two organizations were established at about a similar time and got their first \$1M+ financing in April of 2012. In any case, Transfer Wise achieved \$2M month to month exchange volume just a year later and over 2

years before Remitly. By mid-2015, Transfer Wise was exchanging thirty times more for every month than Remitly:



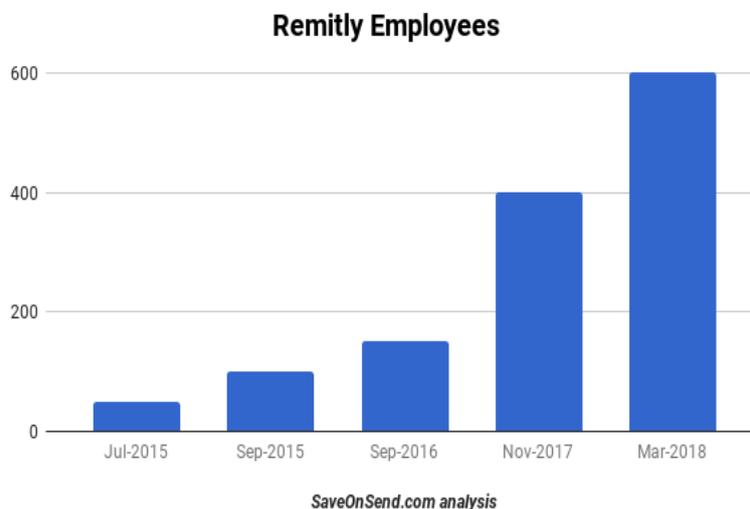
The hidden reason is in Transfer Wise’s considerably quicker scaling. In the initial three years, Remitly propelled, yet expansive yet just a single passageway: USA-to-Philippines. In February 2015, the startup propelled the second passage, USA-to-India, and in October 2015 – USA-to-Mexico. In July 2015, Remitly additionally declared its first obtaining of a coming up short application Talio to get a nearby ability (the two organizations are situated in Seattle) and amplify informing highlights in Remitly's portable innovation. In April 2016, Remitly opened outbound business from Canada to India and Philippines. In September 2016, the startup included seven more nations in Latin America for exchanges from USA.

In mid-2017, Remitly dispatch couple outbound hallways from UK, and its development direction appears to be relentless:



So it is not surprising for a hyped-up digital remittances niche that in the October 2017 round Remitly was valued “at least” \$345 million.

Remitly used funding to launch in new markets like Australia while accelerating hiring, reaching 600 employees by March 2018:



Be that as it may, amid about same time, Transfer Wise propelled hundreds passageways and passed \$1 billion exchange volume for every month development, achieving \$1 billion in exchanges amid its initial a year in the US. As you saw in the diagram above, by late 2016, both Remitly and Transfer Wise were growing 100% year-of-year, aside from that one of them was five times bigger than the other and was doing it with not as much as twice the same number of representatives:



Shouldn't something be said about Azimo which financing and valuation are additionally altogether lower than Transfer Wise and WorldRemit's? If you don't mind look again at the outline with financing sums by years since a seed round. Azimo is unmistakably backing off with the last \$15 million round in May 2016. You may likewise recall a graph above where Azimo has the littlest valuation different being substantially nearer to Xoom. Why? Since correspondingly to Xoom, Azimo has been restricting its development aspiration to only one topography (in Azimo case, it is Europe, for Xoom – USA). At long last, Azimo's P&L structure has a lopsided authoritative cost:

Azimo Ltd

Profit and Loss Account and Other Comprehensive Income

Year ended 30 June 2016

	Note	2016 £	2015 £
Turnover	4	4,217,808	2,101,567
Cost of sales		(1,522,715)	(589,710)
Gross profit		2,695,093	1,511,857
Administrative expenses		(9,516,670)	(6,323,138)
Other operating income		74,661	43,132
Operating loss	5	(6,746,916)	(4,768,149)
Other interest receivable and similar income	9	17,088	2,004
Interest payable and similar charges	10	(114,954)	(51,347)
Loss on ordinary activities before taxation		(6,844,782)	(4,817,492)
Tax on loss on ordinary activities		—	—
Loss for the financial year and total comprehensive income		(6,844,782)	(4,817,492)

Conclusion

The greatest advantage of using Fintech is that, they charge only 1 percent fee in transferring money anywhere in the world which is the best deal when compared to PayPal which charges 4.5 as their transaction fees. As per the company analysis is concerned they were 77 per cent cheaper across the board and, that is the value they are bringing to its retail customers.

Money transfer services should be availed after considering important things such as exchange rate, Mode of transfer, various regulations, the ideal time to transfer money. Bottom Line As consumers become more tech-savvy; the traditional money transfer system is paving way for the digital remittance industry. It is also allowing those who have been financially excluded until now to join the mainstream population and enjoy the benefits of being able to send and receive money with a click of a button.

The remittances industry is expected to grow by 4.1% reaching an estimated \$610 billion in 2016, and rising to \$636 billion in 2017. Increasing number of migrants along with decent economic recovery in the world will add to these figures. According to World Bank, "the number of international migrants is expected to exceed 250 million in 2015, and their savings and remittances are expected to continue to grow."

Amidst increase in remittances figure and good economic growth in the developed countries (a source of most of the remittances), money transfer industry is set to grow at a rapid rate as well. The numbers stated above needs a medium to be transferred; specially to developing countries. It is the money transfer businesses that will eventually have to pass these massive amounts from one place to another. Thus, money transfer applications, or apps, will have a big role too.

It is continually getting difficult, in our fast-paced lives, to manage various activities at the same time. This is why mobile applications help us a great deal. Paying various bills, recharging our accounts and transferring money, are few of the many things we can do through our mobile phone applications. The Money Transfer Application allows a user to send its money from one place of the world to another through its smartphone applications. These applications are specifically designed for money transfers and are highly secure. Sending money through these apps is quick, secure, reliable and easily accessible.

This sort of technology allows an International Migrant, suppose working in Europe; to send money to, let's say India, without even going to the money transfer businesses. It is secure because of the high security embedded into the application, and is user friendly. The money transfer application, not very common relative to physical money transfer businesses at the moment, is expected to be the next big thing in the money transfer businesses; especially with the large volume sent across the world which will put stress on physical money transfer businesses. That is when Money Transfer Applications will have its big impact.

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Authored by

Dr. Sandeep Chopde

Associate Professor, MET IOM

Mr. Ronith Ravi Mannyil

MMS Student, MET IOM