

Cross-border Payments for MSMEs in a Post-COVID World

12 October 2022

Yan Xiao

Our Mission

Promote **innovative**,
inclusive, **efficient** and
responsible digital payments
for trade and commerce through
multistakeholder engagement

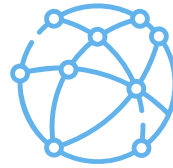


Impact Areas



Inclusion

- Design policies to bring payments to unbanked population while managing risk
- Actions:
 - [Papua New Guinea: Facilitation 2.0](#)
 - [Payments to Advance Growth for All \(PAGA\)](#)



Interoperability

- Identify key enablers to drive seamless connections
- Actions:
 - [Defining and measuring payments interoperability](#)
 - Digital ASEAN



Policy Innovation

- Bridge gaps between innovation and policy
- Actions:
 - [Identify regulatory and policy gaps of digital currencies](#)
 - [Stablecoin consumer protection risk mapping](#)

China: Lessons from SARS

140m

MSMEs in 2020, 4 times of the number in 2006

48%

Export in 2021

79%

Job creation in 2020

58.2%

Of the increase of the export comes from MSMEs

1. Importance of basic infrastructure

- 1993 Golden Projects (internet, customs, card networks)
- 2003: mass market for e-commerce/electronic payments adoption
 - Access to internet: 67 million people
 - 500 million payment cards
 - Identification system: 960 million having formal identification in 2003

2. Importance of digital payments

- Access to global markets
- Access to alternative financing

2002 vs. 2022

Changing digital landscape for MSMEs



New types of e-commerce

- Shared economy & digital platforms -> new job opportunities
- Surge of digital services



Digital payment innovation

- New types of payment methods: mobile wallets, e-wallets, cryptocurrencies, CBDC
- Real time retail payments systems



Challenges

- Infrastructure
- Reactive regulations
- Globalization of cyber crimes
- Interoperability
 - Technical
 - Regulatory

Call to Actions



1. Commitment to invest in basic infrastructure

- Physical
- Regulatory framework for digital economy



3. Commitment to international cooperation

- Regulatory coordination
- Innovation coordination



2. Commitment to build an interoperable payments system

- Build a domestic system with XB interoperability in mind
 - International standards
- Interoperability among different payment systems



4. Commitment to multi-stakeholder engagement

- Co-design pro-active & future-proof regulations and processes
- Role of public and private sectors

Examples of Provisions

Australia-Singapore Digital Economy Agreement

Article 11.1 “...the Parties shall support the development of efficient, safe and secure cross-border electronic payments by:(a) fostering the adoption and use of **internationally accepted standards for electronic payments**;(b) **promoting interoperability** and the interlinking of electronic payment infrastructures; and (c) **encouraging innovation and competition** in electronic payments services.”

Article 11.2(c) “**not arbitrarily or unjustifiably discriminate between financial institutions and non-financial institutions** in relation to access to services and infrastructure necessary for the operation of electronic payment systems;”

Article 11.2(d) “**adopt**, for relevant electronic payment systems, **international standards for electronic payment messaging** ... to enable greater interoperability between electronic payment systems;”

Article 11.2(e) “facilitate the use of open platforms and architectures ... through **Application Programming Interfaces payment** service providers to safely and securely make APIs for their products and services available to third parties, where possible...”

Article 11.2(f) **facilitate innovation and competition** and the introduction of new financial and electronic payment products and services in a timely manner, such as **through adopting regulatory and industry sandboxes**.

Examples of Provisions – cont'd

Digital Economy Partnership Agreement between New Zealand, Chile and Singapore

Article 2.7, Section 2(d) “The Parties shall endeavour to enable cross-border authentication and electronic know-your-customer of individuals and businesses using digital identities”

Indo-Pacific Economic Framework for Prosperity (IPEF)

Pillar I Trade “Advancing inclusive digital trade by:... and advancing resilient and secure digital infrastructure and platforms ... We will work to promote and support, inter alia: ... and (3) the responsible development and use of emerging technologies. ...We will share best practices on regulatory approaches and policy issues in this dynamic area of the economy and cooperate on a range of issues, including business promotion, standards, and MSMEs and start-ups.

Thank you

Yan Xiao

Project Lead, Digital Trade

Yan.xiao@weforum.org

Appendix A. Recent Publications

- [Digital Currency Governance Consortium white paper series](#)
- [Defining and Measuring Payments Interoperability](#)
- [Accelerating Digital Payments in Latin America and the Caribbean](#)
- [Connecting Digital Economy: Policy Recommendations for Cross-border Payments](#)
- [Papua New Guinea: Facilitation 2.0](#)