

# FOUR DIFFERENT MODELS FOR CROSSBORDER PAYMENTS



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From a LinkedIn post

Cross-border payments need a robust architecture to deal with Foreign Exchange ([#FX](#)), Multicurrency and the complexity around Risk & Fraud 🙌

The [4](#) different models for cross-border payments can be broadly classified into the following models:

## 1 Correspondent Banking

🙌 Correspondent Banking is an arrangement under which one bank (correspondent) holds deposits owned by other banks (respondents) from other countries, enabling banks to access financial services in different jurisdictions 🌐

🙌 Under some international card schemes, [Visa](#), [Mastercard](#) participating banks typically rely on correspondent banking for settlement (a “4-party model”).

## 2 Interlinking

🙌 It enables PSPs, like participating in the payment infrastructure of one country to send and receive payments to/from PSPs participating in another country's infrastructure.

🙌 The interlinking can take place between domestic infrastructures from different countries. Where infrastructures settle in different [#currencies](#), arrangements will need to accommodate [#FXtransactions](#).

🙌 Interlinking can be costly and complex from a legal, operational and technical point of view, and therefore is mostly used between countries with considerable economic activity.

## 3 Single Platform

👉 In a Single Platform model, the payment transaction is started and completed by the same PSP, [Nuvei](#) - [Adyen](#) to bridge the two jurisdictions and therefore does not rely on a connection between institutions in the two jurisdictions.

👉 This can be the case for proprietary arrangements (e.g. traditional money transfer operators), some international card schemes like [American Express](#) (i.e. "3-party model") and e-money schemes, or multinational banks that are present in the payer's and the payee's country.

#### 🔑 Peer-to-Peer

👉 The peer-to-peer ([#P2P](#)) model cuts out the financial intermediary PSP and enables the payer to send the payment directly to the payee. P2P payments can take a variety of forms; the simplest form is a direct cash payment and new ones like [#cryptopayments](#) using the blockchain especially with stablecoins.

#### ◆ The Global Payments Market

The revenue generated by Global Payments, especially due cross-border transactions, has increased by 11% in 2021 after stalling in 2019-2020 due to the pandemic, resulting in a \$2.1 trillion market globally! 🤖

On the contrary to popular belief, global payments are a major portion of the total revenues of banks accounting for 40% in 2021.

Asia Pacific (APAC), region highly digitalized, is leading the growth, followed by Europe, known for its innovation in the space. North America has been steady but [McKinsey & Company](#) expects LATAM and MEA to grow significantly in the upcoming years 🚀