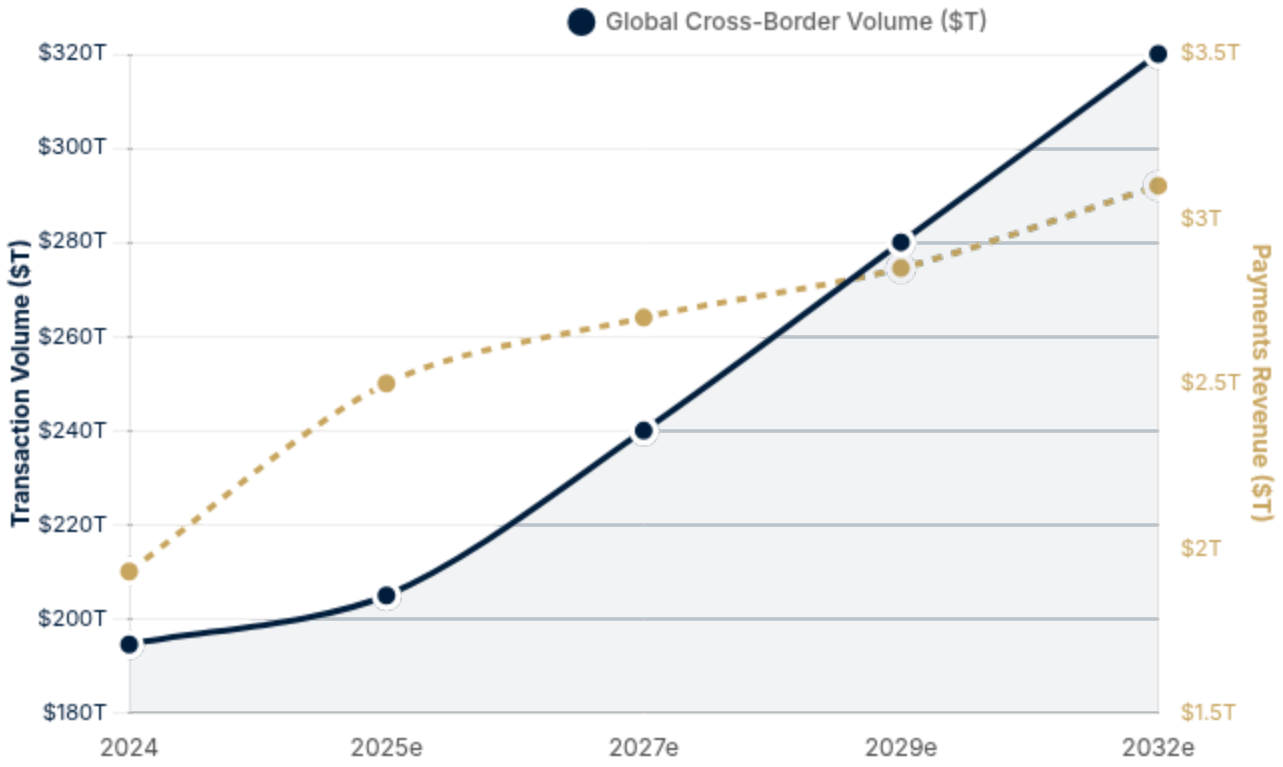
WINDSOR DRAKE

Cross-Border Payments & FX Valuation

JANUARY 2026

Executive Summary — Market at a Turning Point



Strategic Implications

- **Volume vs. Value Divergence:** While transaction flows are projected to hit **$320T** by 2032, revenue growth is decelerating to **~4% CAGR**, signaling inevitable margin compression.
- **Structural Bifurcation:** The ecosystem is splitting between a Western-led modernization (ISO 20022, Project Nexus) and an emerging parallel architecture driven by CBDCs and mBridge.
- **Value Migration:** Profit pools are shifting upstream from commoditized transfer fees to **FX intelligence**, liquidity orchestration, and automated compliance.
- **Revenue Outlook:** Payments revenue expected to reach ~$2.5T in 2025, driven by B2B flows despite retail pricing pressure.

Executive Summary — What Founders Need to Know Now

Market Dynamics	Market to reach **$320T** by 2032 (from $194.6T), but revenue growth slowing to **4%** CAGR as margins compress commoditization.
Infrastructure Shift	Major transformation underway: ISO 20022 deadline (Nov 2025), **Project Nexus** linking domestic IPS systems, and emerging DLT/mBridge architectures.
Value Migration	Value shifting from transfer execution to **intelligence premium**: FX optimization, programmable compliance, and liquidity orchestration.
Regulatory Paradox	G20 friction reduction targets clashing with data localization (India, China, Vietnam), driving **20-30%** compliance cost increases.
Strategic Imperatives	1. Deploy **LLM compliance** (90% false positive reduction) 2. Migrate to **JIT liquidity** models 3. Build internalization engines 4. Select rails by use case (SWIFT vs. Nexus vs. Stablecoins)

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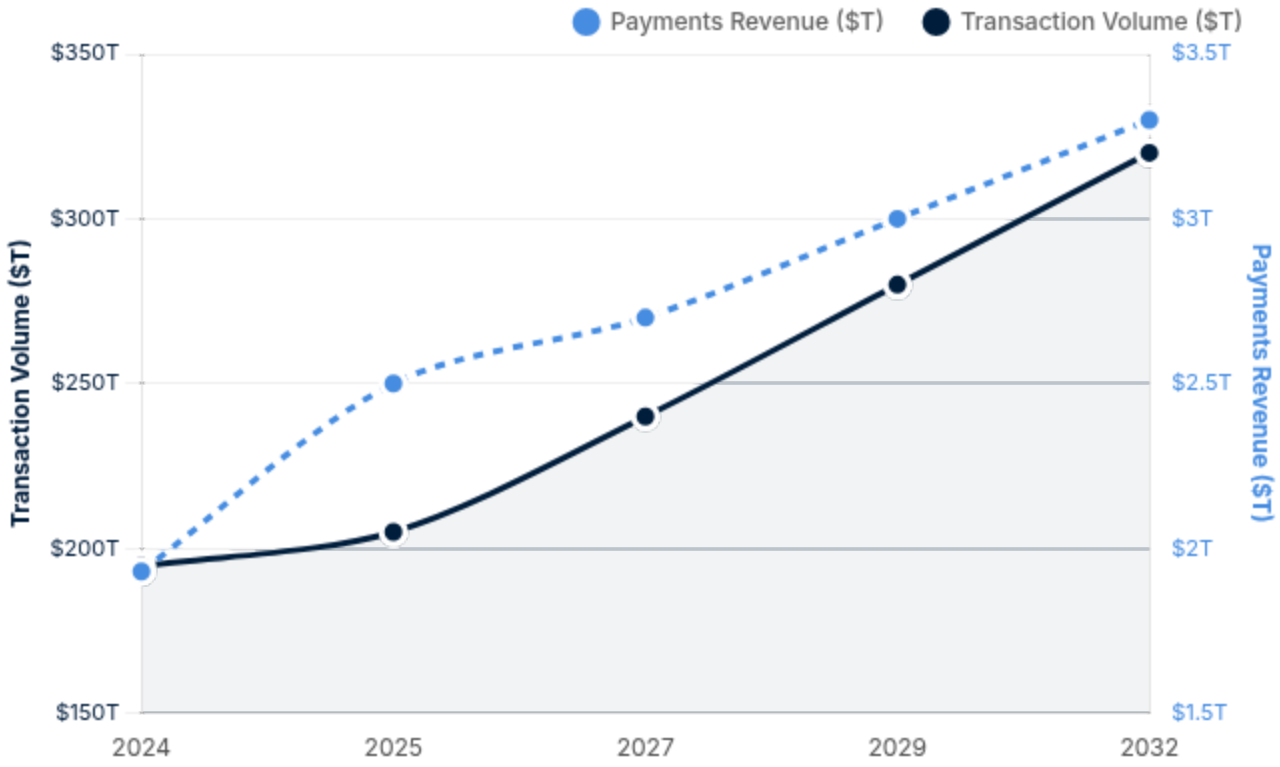
Critical Questions for Fintech Leaders (Part 1)

Strategic Question	Actionable Answer
Q1 **How do rising regulatory costs (20-30% YoY) impact unit economics?**	Shift to **programmable compliance** with LLM cascade to reduce manual reviews. Deploy geo-redundant architectures to manage localization requirements and prioritize high-ROI jurisdictions to optimize spend.
Q2 **Which payment rail should be selected for which use case?**	High-value B2B → **SWIFT** for reach/trust; Low-value retail → **Nexus** for speed/cost; BRICS trade → **mBridge** for sovereignty; Programmable B2B → **Stablecoins** for 24/7 liquidity.
Q3 **How to manage FX risk effectively in a volatile environment?**	Prioritize **natural internalization** first by matching flows internally. Utilize **PvP settlement** for atomicity to eliminate Herstatt risk, and leverage LP lockable quotes + forwards/options for residual exposure.

Critical Questions for Fintech Leaders (Part 2)

Strategic Question	Actionable Insight & Recommendation
Q4: What's the ROI on ISO 20022 migration?	Beyond compliance, the ROI includes significant **STP rate uplift** and a **92% reduction** in fraud false positives. Richer data enables automated reconciliation and reduces manual repair costs, delivering estimated savings of **$30-50 per incident**.
Q5: When should we adopt stablecoins?	Adoption is recommended now for **B2B settlements** requiring atomic finality and **24/7 treasury mobility**. Strategy must prioritize regulated issuers (e.g., USDC, JPM Coin) and compliant on/off ramps to mitigate counterparty and regulatory risk.
Q6: How can we optimize liquidity management?	Transition from pre-funding to **Just-in-Time (JIT) provisioning** using RTP rails and aggregator APIs to eliminate trapped capital. Implementing stablecoin bridges can further reduce Nostro capital requirements by **20-40%** while improving capital efficiency.

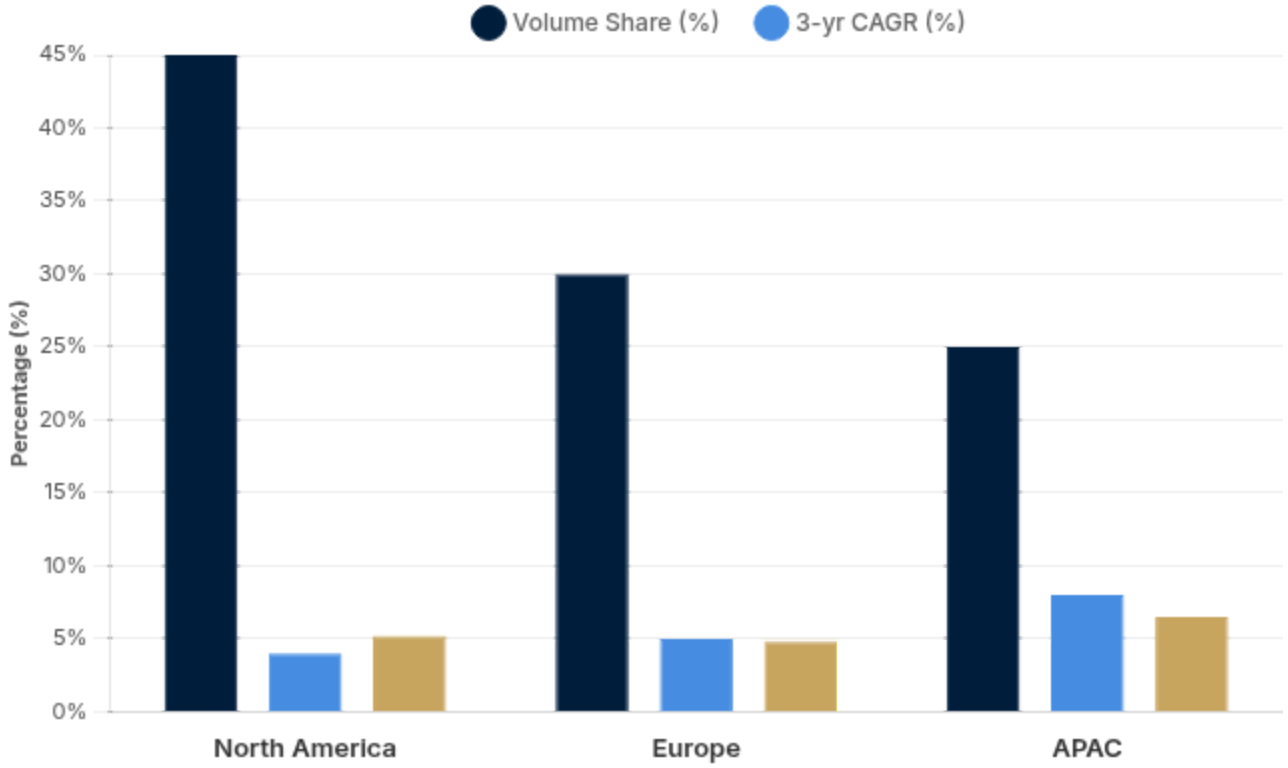
Market Landscape — Size & Growth (2024-2032)



Key Market Insights

- **Volume vs. Revenue Decoupling:** Transaction volumes are surging to $320T, but revenue growth lags significantly, indicating structural commoditization of payments.
- **Margin Compression Reality:** The gap between volume trajectory and revenue capture highlights intense pricing pressure, driving down take rates across all corridors.
- **Growth Deceleration:** Revenue CAGR slowing from historical **8.8% to 4%**, marking a transition from "growth-at-all-costs" to efficiency-led profitability.
- **Cost-to-Pay Pressure:** Providers must aggressively reduce unit costs as fee transparency and competitive intensity erode traditional spread margins.

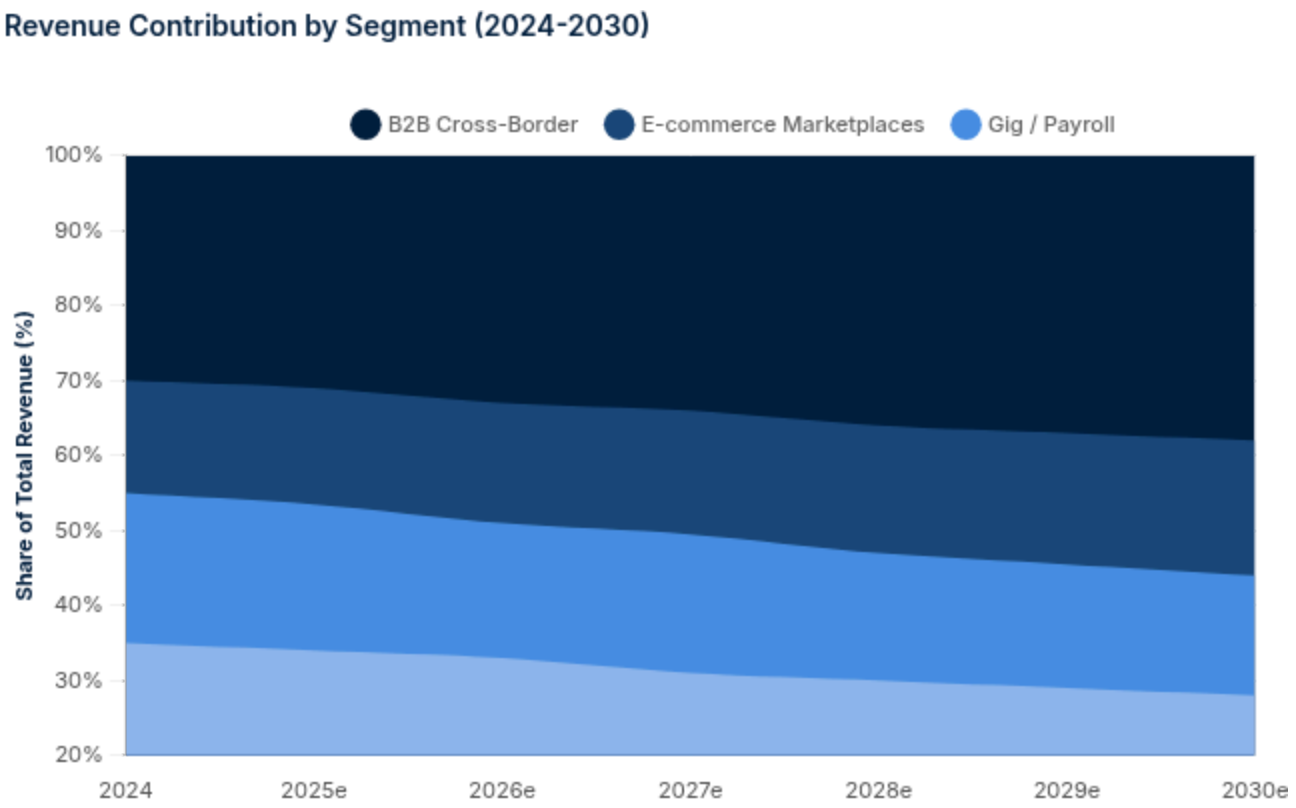
Regional View — NA, Europe, APAC Snapshot



Strategic Implications

- **APAC Acceleration:** Asia-Pacific leads globally with **8% CAGR**, driven by Nexus corridors and rapid IPS interlinking that bypasses legacy rails.
- **Europe's Middle Ground:** Moderate growth (5%) and costs (4.8%) reflect mature but fragmented markets, currently consolidating under **PSD3** evolution.
- **North American Premium:** While growth is slower (4%), NA commands the largest volume share (45%) and premium valuations due to massive scale and dollar hegemony.
- **Cost Disparity:** APAC remains the most expensive corridor (6.5%), presenting the largest opportunity for disruption via DLT and stablecoin rails.

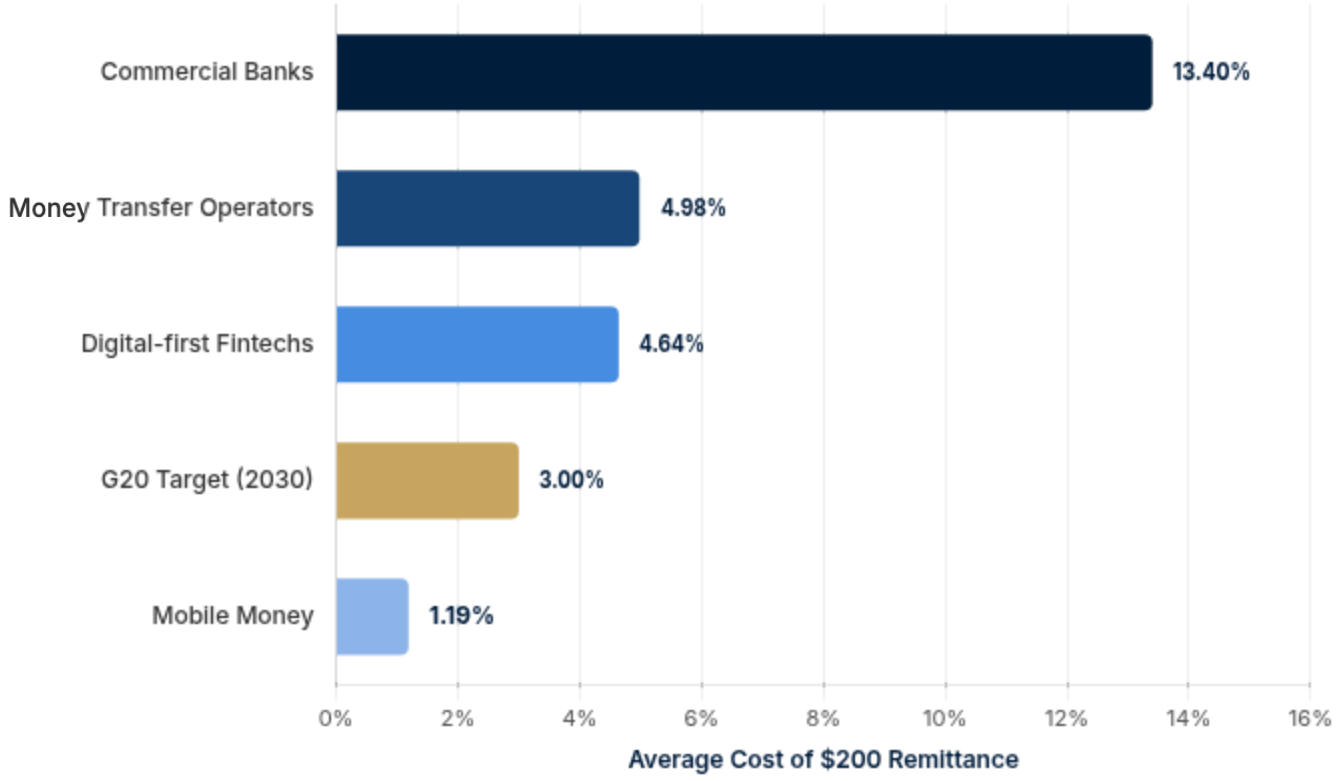
Revenue Pools — Segment Mix and Trajectory



Strategic Implications

- **B2B Dominance:** B2B cross-border flows are surging to **38%** of total revenue by 2030, driven by real-time payment rails displacing legacy ACH and check payments for supply chain settlements.
- **Retail Compression:** Traditional retail remittance share is contracting (35% → 28%) as price wars and transparency mandates erode margins for incumbent providers.
- **Micro-Payouts Rising:** Ecommerce marketplace payouts are expanding to **18%**, reflecting the structural shift toward platform-based economy and gig worker disbursements.
- **Gig Economy Impact:** While gig/payroll share stabilizes around 16%, absolute volumes are exploding, demanding high-frequency, low-value instant settlement capabilities.

Cost Compression — Remittances vs G20 Targets



Market Efficiency Analysis

- **Bank Model Unsustainability:** At 13.40%, the average cost for banks is >4x the G20 target, primarily driven by legacy correspondent banking chains and manual lifting fees.
- **The "Mid-Market" Convergence:** Digital-first fintechs (4.64%) and MTOs (4.98%) have converged, winning market share through transparency and automated liquidity management.
- **Mobile Money Efficiency:** Mobile operators (1.19%) demonstrate the economic power of closed-loop or lightweight infrastructure, significantly undercutting the 3% target.
- **Target Gap:** While innovation exists, the bulk of volume remains in high-cost rails, requiring structural shifts like Project Nexus to bridge the gap to 3.00% globally.

Payments Infrastructure Stack — From Messaging to Atomic

The global payments architecture is evolving from a monolithic messaging system to a layered stack optimized for specific use cases. **Data richness** (ISO 20022) combined with **settlement finality** (Atomic/RTP) drives the next generation of straight-through processing (STP) and liquidity efficiency.

4. Stablecoin Layer	24/7 programmable money. Integrated directly into ERPs for automated B2B logic and smart contract execution.	USDC / JPM Coin · Programmable
3. DLT Layer	Shared ledgers for commercial and central banks. Enables atomic PvP settlement to eliminate counterparty risk.	Partior · mBridge · Atomic
2. Interlinked IPS Layer	Linking domestic real-time rails via unified gateways. High-velocity, low-value payments for retail and SME corridors.	Project Nexus · <60s Settlement
1. Messaging Layer	Foundation of global banking. Rich data payload but serial settlement (T+1/T+2). Critical for compliance and high-value treasury.	SWIFT ISO 20022 · Serial Settlement

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ISO 20022 Migration — Critical Deadlines & Risks

The transition to **ISO 20022** is not just a format change but a fundamental data restructuring. Financial institutions must navigate strict deadlines to avoid operational breakage while capitalizing on richer data capabilities.

November 2025 — **November 2026**

Operational & Financial Risks

- **Data Truncation:** Laggards relying on translation services risk losing critical remittance data.
- **Operational Breakage:** Legacy systems unable to parse XML structures will fail processing.
- **Cost Spike:** Rejection and manual repair costs estimated to rise to **$30-50 per incident**.
- **STP Degradation:** Initial migration friction may temporarily lower Straight-Through Processing rates.

Strategic Opportunities

- **Enhanced Fraud Detection:** Structured data allows for more precise screening, reducing false positives.
- **Automated Reconciliation:** Rich remittance info enables auto-matching of invoices to payments.
- **Cash Application:** Faster allocation of incoming funds improves liquidity visibility.
- **Data Monetization:** Granular data enables better customer insights and targeted services.

ISO 20022 — Data Richness Drives P&L Impact

Data Element	Legacy SWIFT MT (Text-Based)	ISO 20022 MX (XML-Structured)
Ultimate Parties	Not explicitly available; often buried in narrative fields	**Specific XML tags** for Ultimate Debtor/Creditor distinct from account holder
Postal Address	Unstructured text block (3 lines x 35 chars)	**Fully Structured:** StreetName, BuildingNumber, PostCode, TownName, Country
Remittance Info	Limited unstructured field (4 lines x 35 chars)	**Rich Structured Data:** Invoice numbers, tax IDs, and line items for auto-reconciliation
Character Set	Restricted Latin characters only	**Unicode support** for native scripts (Chinese, Arabic, Cyrillic)

Straight-Through Processing (STP)

+40%

Due to reduced manual repairs

Fraud False Positives

-92%

Via structured address screening

Cash Application Automation

+75%

Using structured remittance data

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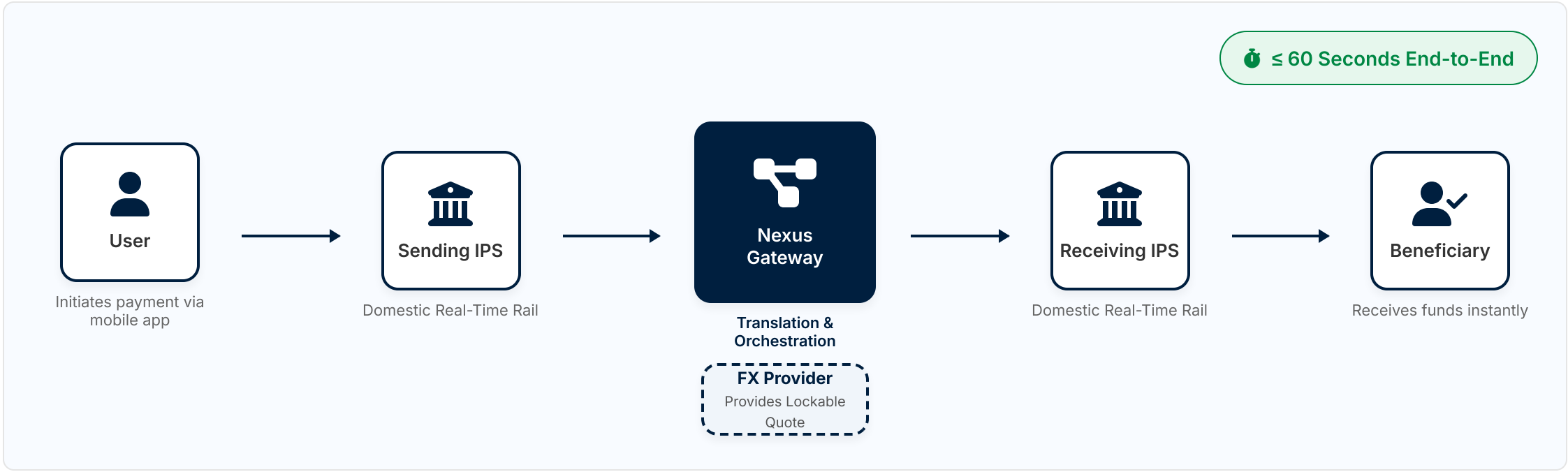
Project Nexus — Architecture and Transaction Flow



Key Actors

IPS Operators (domestic rails), Nexus Gateway (hub), FX Providers (specialized liquidity), Settlement Managers.

Orchestration

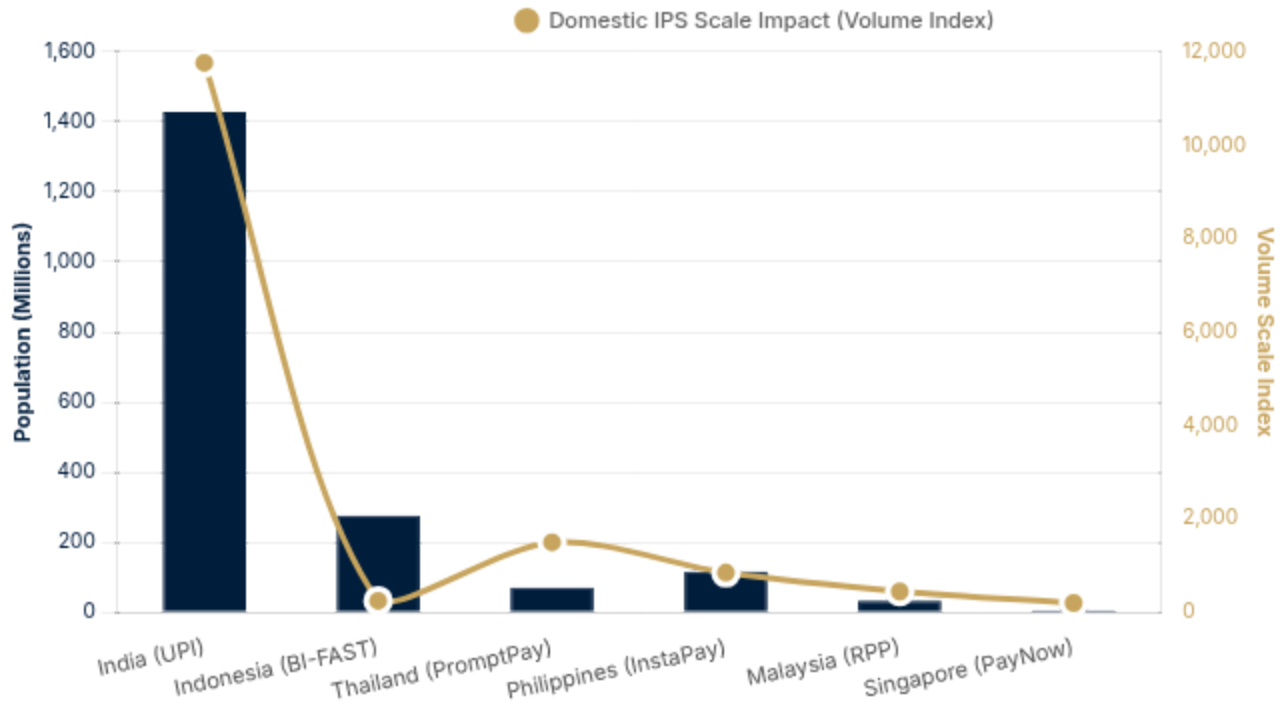
Nexus coordinates messaging, FX conversion, and compliance checks across borders in a single atomic flow.

Strategic Benefits

- Single Connection
- Universal Reach
- Standardized API

Project Nexus — Status, Corridors, and Scale Potential

Nexus Initial Cohort: Market Reach & Scale



Strategic Insights

- **Global Scale Shift:** The inclusion of India's UPI transforms Nexus from a regional ASEAN experiment into a global retail payments competitor, potentially handling billions of transactions annually.
- **Card Disintermediation:** By linking domestic Instant Payment Systems (IPS) directly, Nexus threatens traditional card networks for **small-ticket cross-border payments** (travel, low-value remittances).
- **Unified Gateway:** Nexus replaces complex bilateral links with a single standardized connection, dramatically lowering the technical barrier for new corridors.

DLT Rail — Partior (Tokenized Commercial Bank Money)

Mechanism & Target

- Unified ledger for **tokenized commercial bank deposits** enabling multi-currency clearing
- Target: **Wholesale high-value payments** and interbank liquidity optimization
- Atomic finality eliminates settlement gaps

Founding Participants

J.P. Morgan Global Clearing	**DBS** Asian Liquidity
Standard Chartered Emerging Markets	**Temasek** Strategic Investment

Benefits vs. Traditional SWIFT

Metric	Traditional (SWIFT)	Partior (DLT)
Settlement Time	T+1 to T+2 Days Serial messaging delays	**Instant (Atomic)** Real-time
Herstatt Risk	Present Time zone gap risk	**Eliminated** PvP Simultaneous exchange
Capital Efficiency	Pre-funded Nostro Trapped liquidity cost	**Just-in-Time** Optimized 24/7 mobility
Transparency	Opaque until credit Multiple intermediaries	**End-to-End Visibility** Shared ledger state

Primary Use Cases

→ **PvP FX Settlement:** Simultaneous settlement of two currencies (e.g., USD/EUR) reducing counterparty risk

→ **Interbank Liquidity:** Rapid mobilization of collateral and funds across jurisdictions 24/7

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DLT Rail — mBridge (Multi-CBDC Platform)

Feature	SWIFT GPI	Project Nexus	Partior	mBridge (CBDC)
Primary Asset	Commercial Fiat	Commercial Fiat	Tokenized Deposits	**Central Bank Digital Currency**
Network Type	Messaging Layer	Interlinked IPS Hubs	Shared Ledger	**Shared Ledger**
Settlement Time	Hours (T+1/T+2)	<60 Seconds	Instant (Atomic)	**Instant (Atomic)**
Participants	Global Correspondent Banks	IPS Operators / Central Banks	Commercial Banks	**Central Banks Directly**
Strategic Purpose	Global reach & ubiquity	Retail corridors (P2P/SME)	Wholesale liquidity & PvP	**USD bypass / BRICS trade**

STRATEGIC INSIGHT

Project mBridge represents a geopolitical shift in financial infrastructure, enabling **China, Thailand, UAE, and Hong Kong** to execute direct cross-border settlement in local currencies. By utilizing a shared ledger of Central Bank Digital Currencies, it effectively **bypasses the traditional correspondent banking network** and USD intermediaries.

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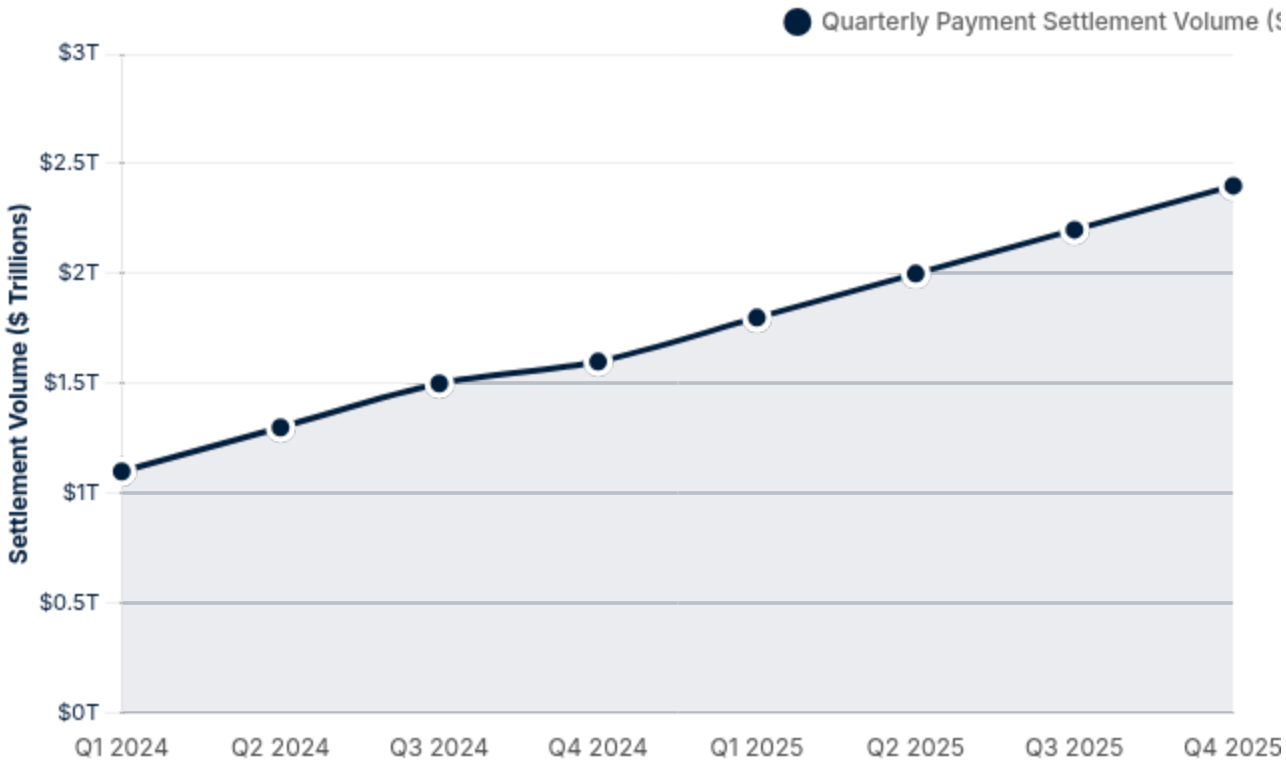
Stablecoins — From Speculation to Payments Utility



Strategic Insights

- **Mainstream Adoption Signal:** Stripe's $1.1B acquisition of Bridge validates stablecoins as critical payment infrastructure, not just speculative assets.
- **Scale & Momentum:** With **$5.7T+** total payment volume in 2024, stablecoins have achieved systemic relevance, rivaling major card network volumes.
- **Enterprise Utility:** Primary use cases shifting to 24/7 liquidity bridging, programmable B2B settlements, and ERP integration for automated treasury operations.
- **Regulatory Tailwinds:** Growing clarity from frameworks like the GENIUS Act is unlocking institutional participation and reducing compliance friction.

FX Valuation Framework — Components and Applications

Effective FX valuation requires a multi-layered approach, moving beyond simple spot rates to incorporate **forward pricing, volatility management, and basis risk**. Fintech leaders must select the appropriate valuation model based on client segment and transaction nature.

1. Spot Rate

The immediate exchange rate for settlement (T+2). Valuation typically derived from wholesale mid-market rate plus a commercial spread or markup based on client tier.

PRIMARY APPLICATION
B2B Transparent Pricing (Spot + Fee) & Retail (Spread Model)

2. Forward Rates

Pricing for future settlement based on interest rate parity. Critical for locking in costs for payables/receivables and eliminating uncertainty for commercial clients.

PRIMARY APPLICATION
Corporate Treasury Hedging & Trade Finance

3. Options (Volatility)

Valuation incorporating Delta (price sensitivity) and Vega (volatility sensitivity). Provides downside protection while retaining upside participation for clients.

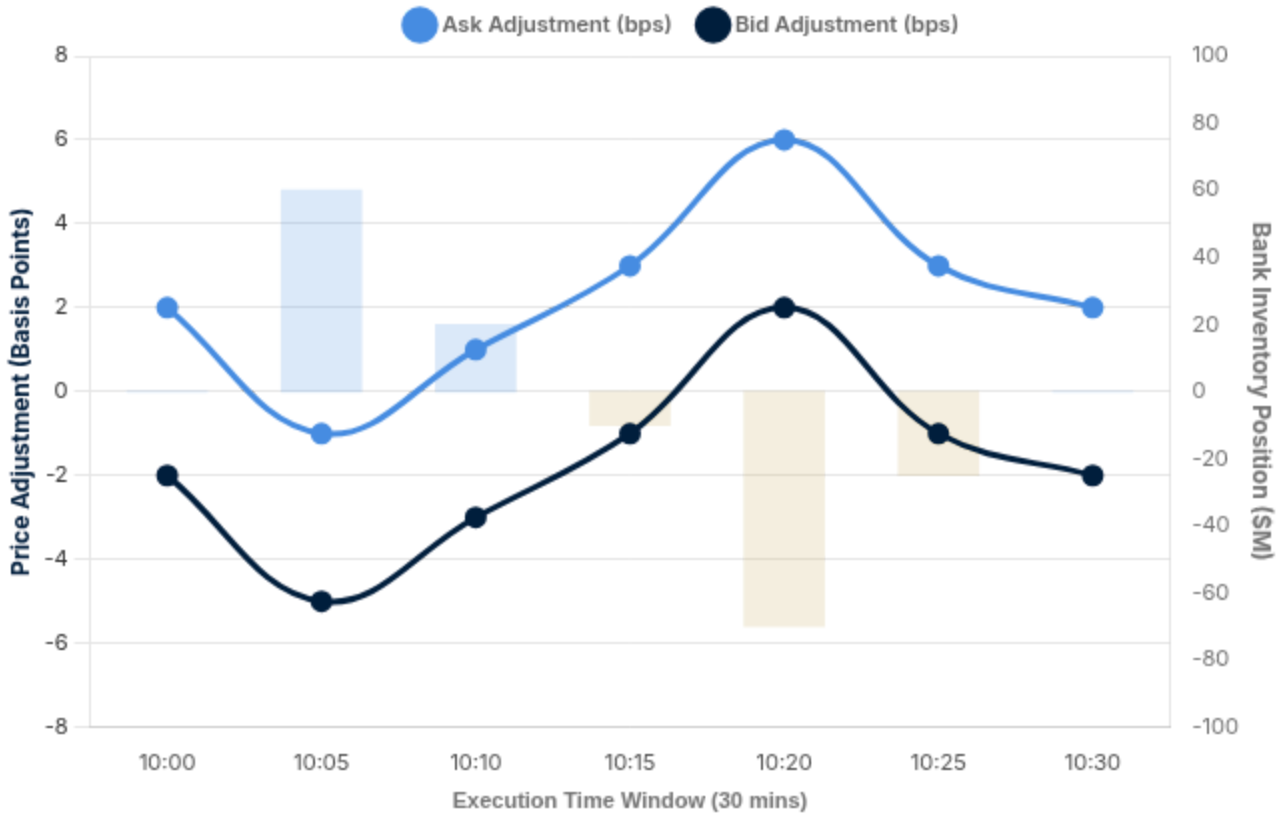
PRIMARY APPLICATION
Volatility Management & Structured Products

4. Basis Risk

The cost of accessing specific currency liquidity via swaps (Cross-Currency Basis). Often overlooked but critical in times of stress or liquidity fragmentation.

PRIMARY APPLICATION
Cross-Border Funding & Liquidity Management

Inventory Skew Impact — Execution Timing Matters



Strategic Insights

- **Algorithmic Pricing Dynamics:** FX pricing is fluid. When banks hold excess inventory (e.g., Long USD), algorithms automatically skew prices downward to attract buyers and clear risk, independent of broader market moves.
- **The "Micro-Window" Opportunity:** A payment executed at 10:05 AM (during peak inventory skew) vs. 10:15 AM (neutral) can see rate variances of **3-5 basis points**, translating to significant savings on large notionals.
- **Execution Strategy:** Sophisticated treasury systems now monitor these skew signals to execute "Just-in-Time" liquidity, moving away from static daily fixing rates.
- **Spread Behavior:** Spreads naturally tighten on the side of the bank's interest (e.g., lower Ask to sell inventory) and widen on the opposing side.

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FX Hedging Playbook — Natural First, Financial Second

Optimization requires a hierarchical approach. The most effective strategy eliminates exposure at the source through **internalization**, moving to financial instruments only for residual risks. This waterfall methodology minimizes the "cost of carry" inherent in external hedging.

1 Internalization / Netting

Cost: Zero

Match customer buy flows against sell flows within the internal ledger. Eliminates spread costs and market impact entirely before going external.

2 PvP Atomic Settlement

Cost: Low (Network Fee)

Utilize DLT rails (Partior) for simultaneous settlement of currency legs. mathematically eliminates Herstatt (settlement) risk for remaining flows.

3 LP Lockable Quotes

Cost: Mid (Spread)

Access 5-minute fixed rate windows via Liquidity Provider APIs. Transfers immediate volatility risk to the market maker during the transaction window.

4 Forwards & Options

Cost: High (Premium/Carry)

Financial hedging for residual, long-tail exposures that cannot be netted or settled immediately. Used for balance sheet protection.

"Natural hedges are free; financial hedges cost carry."

Maximize Step 1 to protect margins.

KPIs to Track

- **Internalization Rate %** (Target >50%)
- **Slippage Reduction** (vs. Mid-market)
- **VaR Impact** (Value at Risk)
- **Fill Ratio** (on LP quotes)

Liquidity Management Models — Strategic Trade-offs

Model	Mechanism	Strategic Benefit	Implementation Challenge
Pre-Funded Nostro	Idle cash held in local currency accounts globally	• Guaranteed payout speed • Direct operational control	• High opportunity cost (**~5% CoC**) • Trapped capital inefficiency • Persistent FX exposure
Just-in-Time Funding	Funds sent to partner only upon transaction initiation	• **Zero trapped capital** • Optimized working capital cycle	• Requires instant **RTP rails** at source • High execution dependency • Risk of settlement failure
Stablecoin Bridge	Fiat → USDC → Fiat atomic swap mechanism	• **24/7/365** liquidity movement • Instant atomic settlement	• Regulatory uncertainty in key markets • On/off-ramp friction costs • Counterparty risk (Issuer)
Aggregator APIs	Connect to global payout network via single integration	• Rapid speed to market • Zero balance sheet usage	• Margin compression from fees • Loss of value chain control • Counterparty dependency

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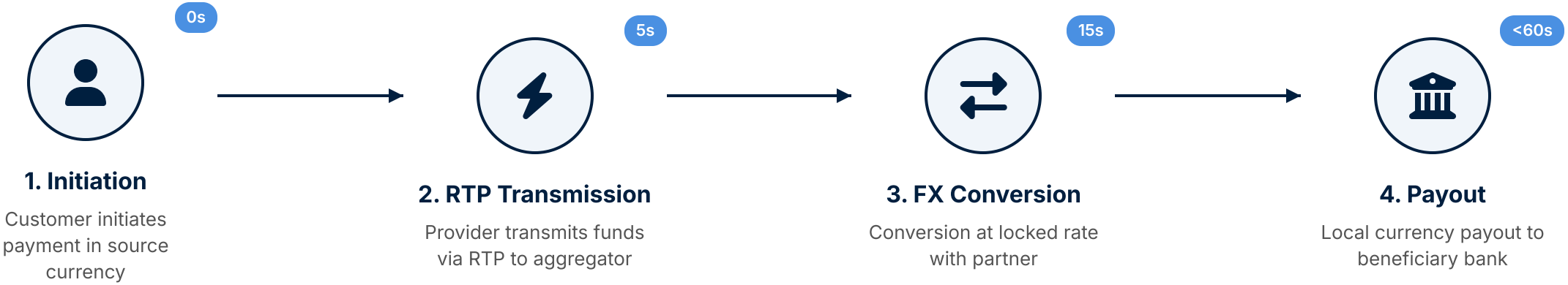
Just-in-Time Liquidity — Operational Flow



20-40%	>99.5%	<60s	30-50%
Working Capital Released	Payout Success Rate	Time-to-Credit	Cost Reduction vs Pre-funding

Strategic Benefits

- Eliminates dormant Nostro capital
- Reduces FX exposure window
- Scales without linear capital growth

Payment Rails Comparison — SWIFT, Nexus, mBridge, Stablecoins

Feature	SWIFT GPI (ISO 20022)	Project Nexus (Interlinked IPS)	Project mBridge (CBDC)	Stablecoins (USDC/PYUSD)
Primary Use Case	High-value Corporate Treasury **>$100k**	Retail / Remittances / SME **<$5k**	Wholesale Trade / Sanctions Bypass	B2B Programmable / Web3 Settlements
Network Topology	Hub-and-Spoke (Correspondent Banking)	Point-to-Point Gateway (Standardized API)	Shared Ledger (Central Banks Direct)	Decentralized / Permissionless
Settlement Time	Minutes to Hours (40% under 5 min)	**< 60 Seconds** (End-to-End)	**Instant Atomic** (PvP Finality)	**Instant Block Time** (24/7/365)
Cost Profile	High (Lifting fees + FX spread)	Low (Fixed infrastructure fee)	Very Low (Central infrastructure)	Variable (Gas fees + On/Off-ramp)
Geopolitical Alignment	Western / G7 Led US/EU Dominance	ASEAN / Global South BIS Innovation Hub	BRICS / China Led USD Avoidance	Private Hegemony Primarily USD-backed

Strategic Takeaway: No Universal Winner

Fintech leaders must adopt a **portfolio approach**: leverage Nexus for volume-driven retail corridors, SWIFT for high-value treasury assurance, and Stablecoins for programmable/24-7 liquidity needs. Rail selection is no longer technical—it is a strategic function of ticket size, speed urgency, and geopolitical risk.

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Rail Selection Matrix — Match Rail to Use Case

SWIFT GPI

High-value corporate treasury flows requiring strict compliance and trace-ability.

>$100k Value | T+1 Settlement

mBridge / DLT

Wholesale trade settlement (esp. BRICS corridors) requiring atomic finality.

>$50k Value | Atomic/Instant

Stablecoins

B2B programmable payments, 24/7 web3 settlements, and micropayments.

Any Value | Programmable

Project Nexus

Retail remittances and SME corridors linked via domestic real-time rails.

<$5k Value | <60s Settlement

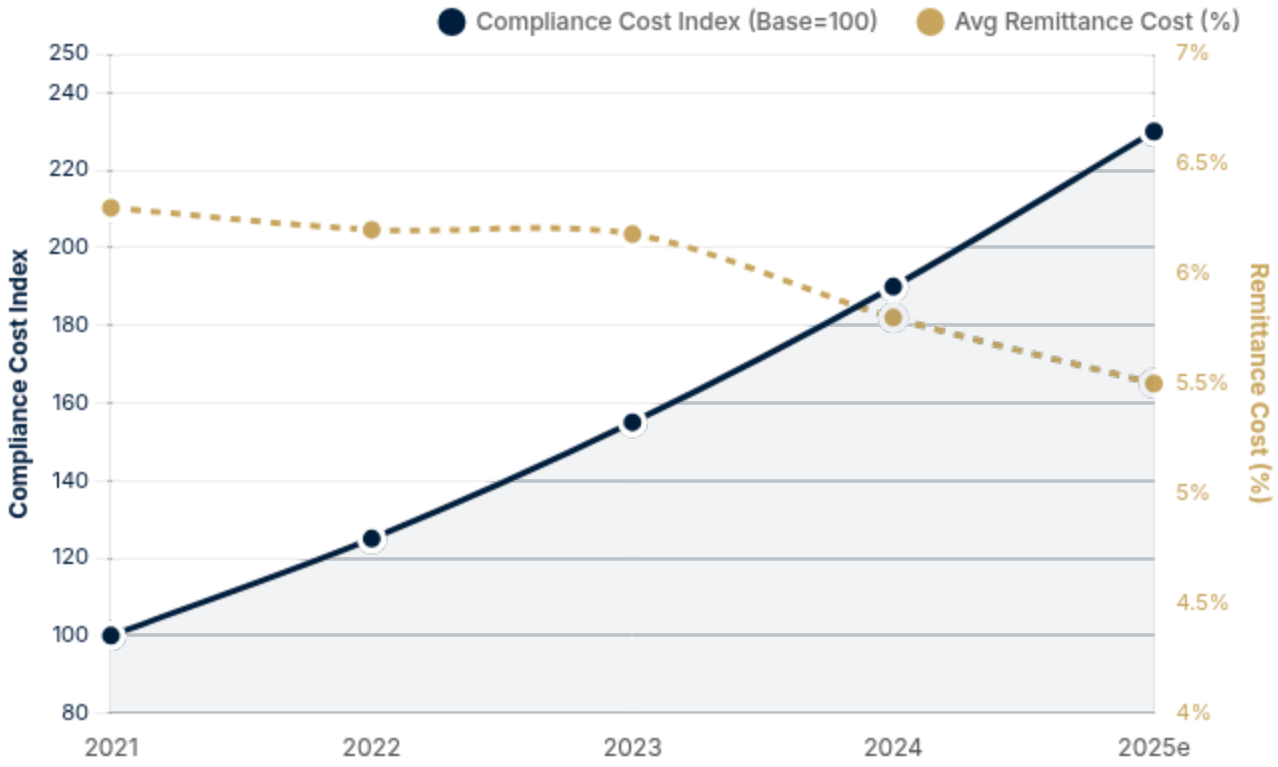
Overlaid Constraints

- **Sanctions Risk:** SWIFT mandatory for high-risk corridors; mBridge for sanctions-neutral trade.
- **Data Localization:** Nexus minimizes cross-border data payload; SWIFT ISO 20022 carries rich data.
- **Geography:** ASEAN/India favor Nexus; Global North favors SWIFT; BRICS favor mBridge.

Product Manager Decision Logic

- ✓ IF **Retail <$5k** AND **Corridor Live** → Use Nexus (Lowest Cost)
- ✓ IF **B2B Programmatic** OR **Weekend** → Use Stablecoins
- ✓ IF **Corporate Treasury >$1M** → Use SWIFT (Compliance Safety)

Regulatory Landscape — The Compliance Paradox



Tension: G20 Targets vs. Fragmentation

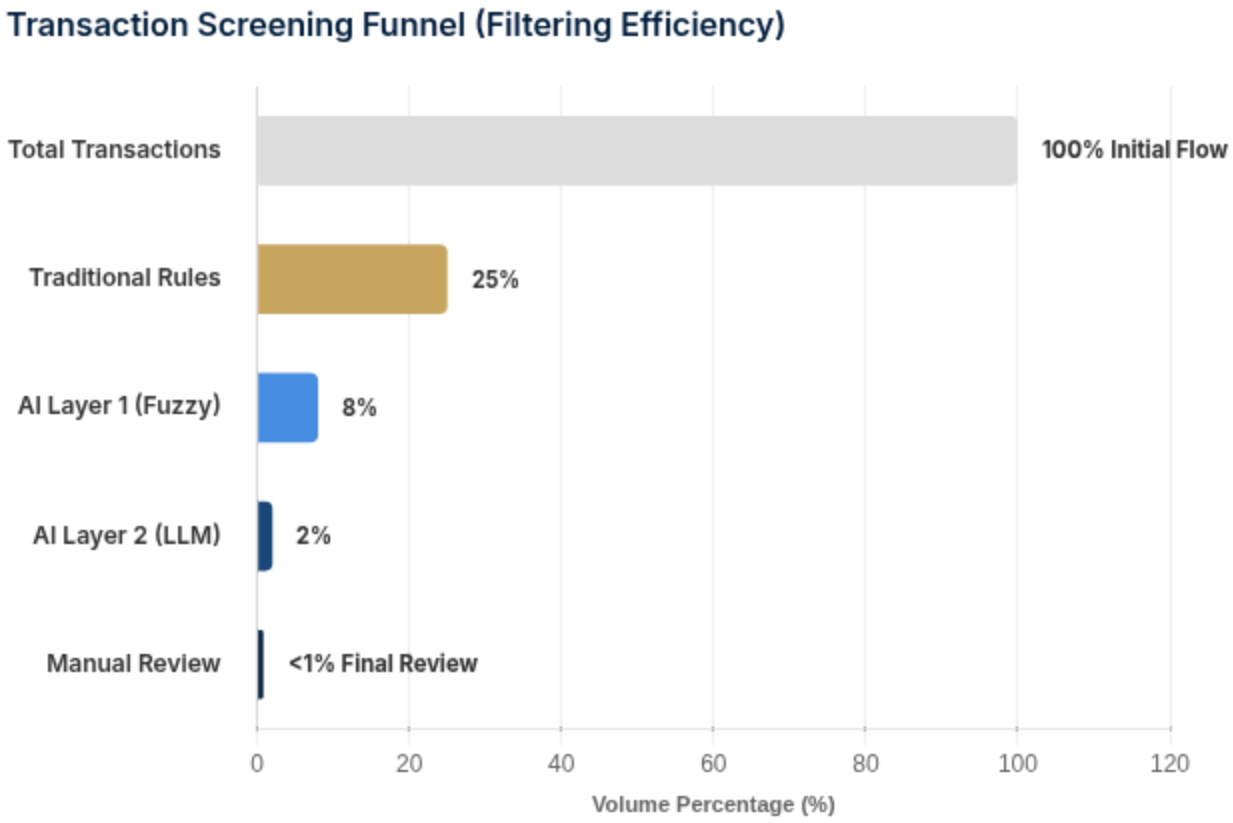
- **Escalating Costs:** Compliance expenses rising **20-30% annually**, driven by duplicate infrastructure for data localization and complex sanctions screening.
- **Digital Borders:** Emerging markets enforcing strict data sovereignty, creating friction against G20's "frictionless" cross-border goal.
- **Cost vs. Price:** While remittance fees compress toward 3%, the "cost to comply" is diverging upwards, squeezing margins for non-AI-native players.

India (RBI)
Full localization; foreign copies deleted in 24h.

China (PIPL)
Strict export restrictions; security assessments required.

Vietnam (Decree 13)
Local storage mandates; elevated consent requirements.

AI-Powered AML — Reducing False Positives by 92%



The "Model Cascade" Strategy

- **Fed 2025 Study Validation:** LLM-based screening cascade demonstrated a **92% reduction** in false positives while maintaining 100% detection accuracy for true sanctions hits.
- **Contextual Intelligence:** Unlike legacy fuzzy matching, AI layers differentiate semantic context (e.g., "Cuba Street" vs. "Cuba" the sanctioned country), drastically cutting manual review queues.
- **Operational Impact:** Manual reviews drop from a typical 15-30% of transaction volume to **<1%**, enabling compliance teams to focus solely on high-risk, complex cases.

Efficiency Gain

92% Reduction

In manual review workload via 4-tier cascade

Data Localization — Regional Mandates

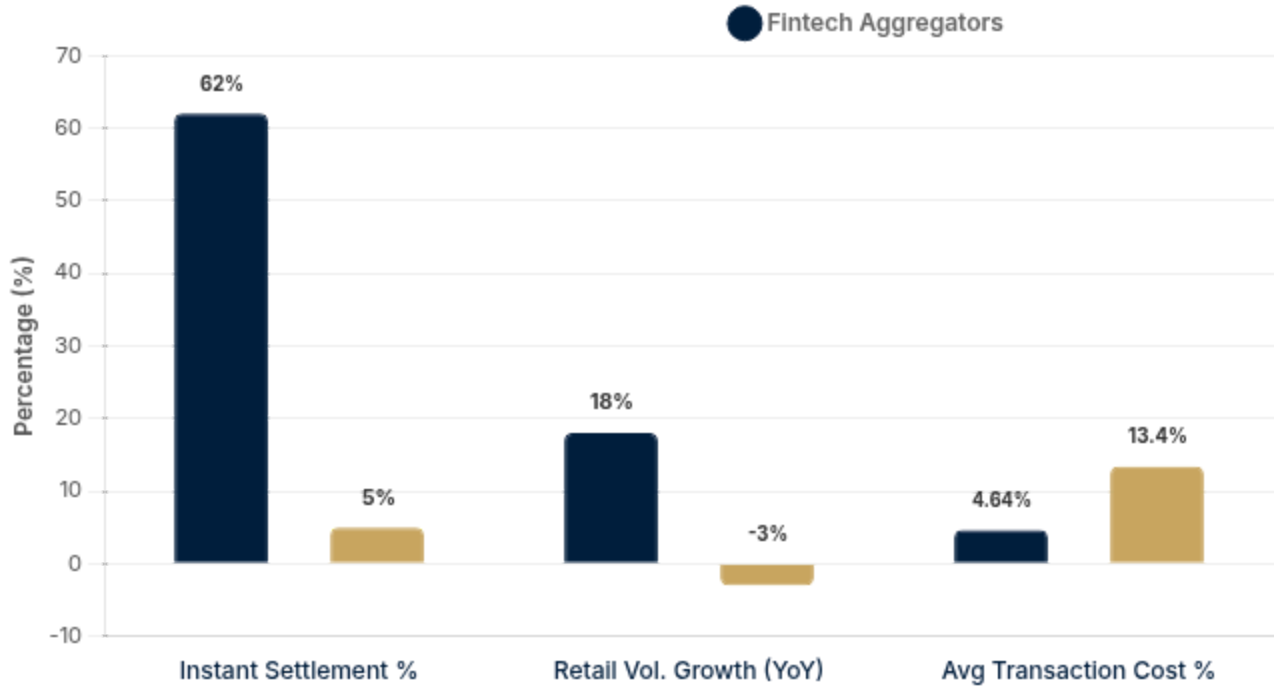
Market	Framework	Key Requirements	Strategic Impact
India	RBI Localization Circular	Strict on-soil storage for all payments data. Foreign processing allowed but data must be deleted from foreign systems within **24 hours**.	Duplicate infrastructure required; global fraud models less effective.
China	PIPL & Cross-Border Regs	Data export requires **CAC security assessment**. Critical Information Infrastructure Operators (CIIO) face highest barriers.	High operational friction; separate China stack essential.
Vietnam	Decree 13	Mandatory local data storage. Foreign firms must establish **local legal entity** or representative office.	Increased market entry cost; forced local partnerships.
European Union	GDPR	Data transfer restricted to countries with "adequate" protection. Standard Contractual Clauses (SCCs) required otherwise.	Legal complexity high; technical cost moderate.

15-55%

Compliance Cost Increase: The OECD estimates that data localization measures increase data management costs by 15% to 55%, forcing fintechs to fragment their global infrastructure and degrading cybersecurity economies of scale.

Competitive Landscape — Bank vs Fintech Bifurcation

Operational Performance Gap (2024-2025)



Strategic Shifts & Implications

- **The Retail Retreat:** Global banks are ceding mass-market cross-border flows. The shutdown of **HSBC Zing** (2025) serves as a cautionary tale on the difficulty of replicating fintech cost structures within legacy stacks.
- **Aggregator Dominance:** Fintechs like Wise, Thunes, and Remitly leverage local settlement networks to achieve **>60% instant settlement** rates, bypassing correspondent banking lifting fees entirely.
- **Strategic Pivot:** Incumbents are shifting focus to high-value Corporate Treasury, Trade Finance, and **BaaS** (Banking-as-a-Service)—providing the regulated plumbing for the very fintechs displacing them in retail.
- **Cost Bifurcation:** The gap between bank remittance costs (~13.4%) and fintechs (~4.6%) has created an insurmountable moat in the low-value segment.

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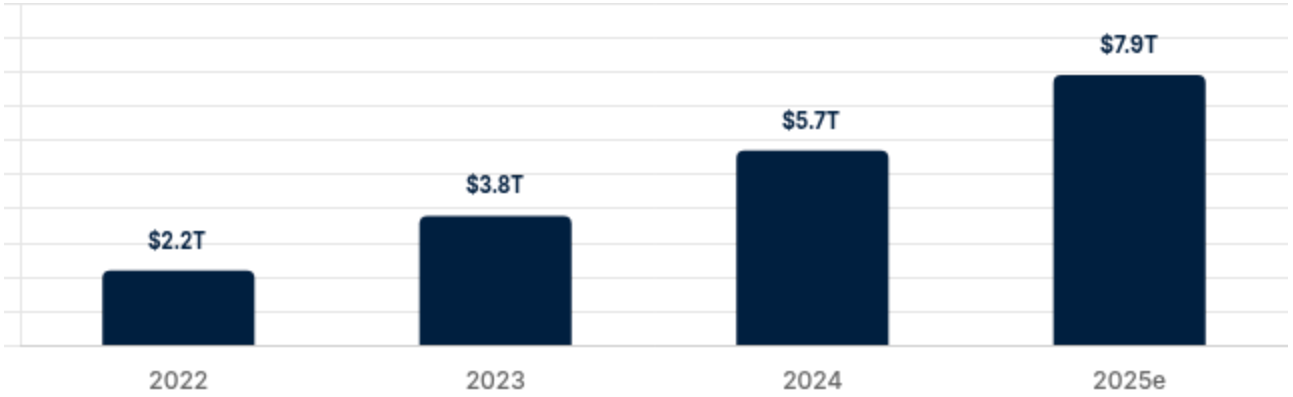
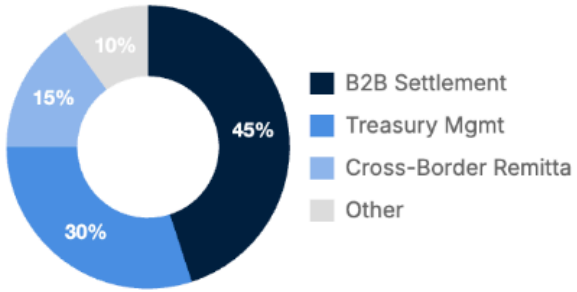
Stablecoins — From Crypto to Core Infrastructure

Transaction Volume Growth ($T)



Use Case Split (2025)



>$5.7 Trillion

2024 SETTLEMENT VOLUME

Strategic Shift to Institutional Utility

- **Institutional Scale:** With volumes surpassing **$5.7T** in 2024, stablecoins have graduated from trading instruments to settlement rails comparable to major card networks.
- **M&A Validation:** Stripe's **$1.1B acquisition of Bridge** signals that payment processors view stablecoin infrastructure as critical for future B2B flows.
- **Regulatory Clarity:** The **GENIUS Act** provides the legal framework for regulated issuers, unlocking bank participation and custody services.
- **24/7 Treasury:** Corporates are adopting stablecoins for "always-on" liquidity management, bypassing banking hours for intra-company transfers.

Strategic Scenarios — Three Futures (2026-2030)

The cross-border payments landscape faces a tripartite divergence. Strategic planning must account for three distinct plausible futures: **Geopolitical Fragmentation**, **Private Rail Dominance**, or **Public Infrastructure Integration**. Each scenario demands a fundamentally different operating model and technology investment strategy.

SCENARIO 1 — High Probability

The "Splinternet" of Payments

Geopolitical tensions harden, creating two distinct financial spheres: a USD-centric Western rail and a BRICS-led alternative rail (mBridge/CIPS).

- **Dual Compliance Stacks:** Banks must ring-fence data/liquidity for each sphere, doubling infrastructure costs.
- **Friction Increases:** "Neutral" corridors disappear; cross-sphere payments face extreme scrutiny and delays.
- **Winners:** Regional champions and non-aligned aggregators.

SCENARIO 2 — Medium Probability

Stablecoin Standardization

Regulated private stablecoins (USDC/PYUSD) become the de facto settlement layer for B2B commerce, integrated directly into ERPs.

- **Bank Disintermediation:** Traditional FX desks lose revenue; value shifts to custody and issuance fees.
- **Programmability:** Smart contracts automate trade finance and escrow, reducing working capital needs.
- **Winners:** Tech-first banks (custodians) and stablecoin issuers.

SCENARIO 3 — Low Probability

Nexus Unification

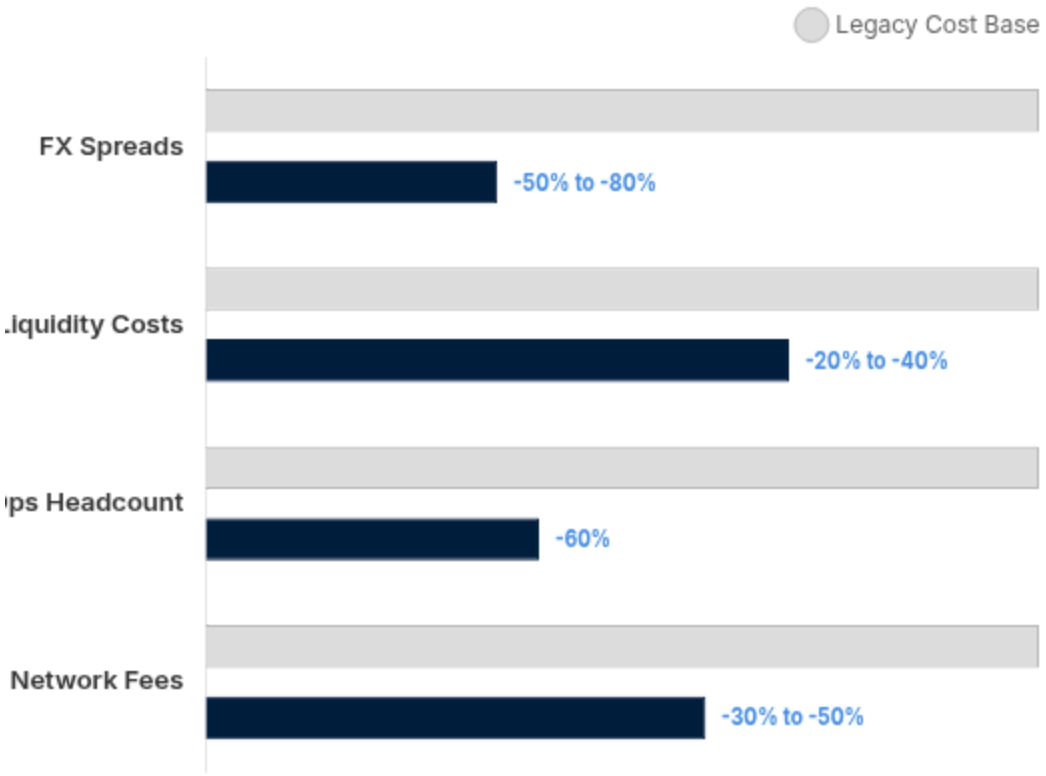
Project Nexus succeeds in linking 60+ countries via domestic IPS, creating a near-universal, low-cost retail payment rail.

- **Cost Collapse:** Remittance costs plummet to <1%, commoditizing transfer fees globally.
- **Volume Explosion:** Micro-payments become economically viable; financial inclusion soars.
- **Winners:** IPS operators and low-cost volume aggregators.

Strategic Playbook — Recommendations by Stakeholder

Stakeholder	Core Strategy	Win Condition	Key Actions	Avoid
Global Banks	Stop fighting the retail price war; pivot to high-value wholesale & trust services.	Become the **trusted orchestrator** for complex, regulated flows.	• Monetize ISO 20022 data payloads • Provide "Compliance-as-a-Service" • Partner/White-label fintechs for reach	Building proprietary retail apps (e.g., HSBC Zing)
Fintechs	Move beyond commoditized transfers to "Treasury OS" value proposition.	Own the **CFO workflow** via software, not just the rail.	• Embed FX risk management tools • Automate multi-rail routing (LCR) • Launch "virtual IBAN" collections	Racing to zero on FX spreads without SaaS revenue
Corporates	Transition from batch processing to real-time, on-demand liquidity management.	Release **20-40%** of trapped working capital.	• Integrate ERP with aggregator APIs • Adopt 24/7 treasury dashboards • Utilize stablecoins for intra-	Holding idle Nostro balances in high-rate environment

Cost Optimization Framework — Quantified Impact



Strategic Cost Levers

- **FX Spread Compression:** Shifting from opaque bank spreads (2-5%) to transparent mid-market pricing combined with internalization yields **50-80%** reduction in FX costs.
- **Liquidity Efficiency:** Just-in-Time (JIT) provisioning eliminates idle Nostro capital, reducing opportunity costs and working capital drag by **20-40%**.
- **Operational Automation:** AI-driven pre-validation and ISO 20022 structured data reduce manual repair needs, cutting ops headcount requirements by **60%**.

Total Potential Margin Improvement

+180 - 240 bps

Sources & References (Part 1)

Source Name	*Publication / Report Title*	Date
PwC	*Future of Payments 2025*	2025
Deloitte	*2026 Banking & Capital Markets Outlook*	Late 2025
Atlantic Council	*CBDC Tracker & Geo-Economic Commentary*	2025
BIS Markets Committee	*FX Execution Algorithms and Market Functioning*	Various
arXiv / Academic	*FX Market Making with Internal Liquidity*	Dec 2025
SWIFT	*ISO 20022 Migration Guidance & Standards*	2024-2025
Partior	*Platform Documentation & Use Cases*	2025
Reserve Bank of India	*Data Localization Directives*	Various
OECD	*Cross-Border Data Flows Report*	2025
Stripe / Bridge	*Acquisition Press & Market Analysis*	Late 2024

Sources & References (Part 2)

Source Name	*Publication / Report Title*	Date
McKinsey	*The 2025 Global Payments Report*	Sep 2025
BCG	*Global Payments Report 2025*	Sep 2025
J.P. Morgan	*2025 Cross-Border Payments Trends*	Jan 2025
BIS Innovation Hub	*Project Nexus: Enabling Instant Cross-Border Payments*	2025
World Bank	*Remittance Prices Worldwide (Issue 49)*	Mar 2024
Goldman Sachs	*2025: 4 Themes in Charts / M&A Outlook*	Dec 2025
Federal Reserve	*Can LLMs Improve Sanctions Screening?*	2025