

AbbeyCross:

The B2B FX trading and compliance marketplace looking to become the global centre of gravity for emerging market payments

e-Forex spoke with Mike Robertson, CEO and co-founder of AbbeyCross to learn more about how his company is planning to shake up and disrupt the Emerging Markets (EM) payment landscape with a new trading venue that delivers improved price transparency and deeper liquidity.



Mike Robertson

What are the main problems and structural issues with Emerging Markets (EM) payments that the industry currently faces and how big a deal is this?

The lack of meaningful competing demand and supply has led to massive cost elevation in the market; of course, it's more complicated than that.

Much of the FX trading at the large payment banks is not payments related; Most of it relates to flow that is not settled to third parties as

payments and this is where most of their resources are focused. This led to the use of specialist settlement vendors; a practice that has not been updated for more than 20 years.

Specialist vendors increased the banks' reach, enabling them to make payments to more EM countries. The problem is that the banks rely on just one or two specialist vendors to fulfil this requirement. This 'closed shop' created an inefficient and structurally defective market; and as the volume of EM payments grew, the negative impacts on all stakeholders in the value-chain, became more acute.

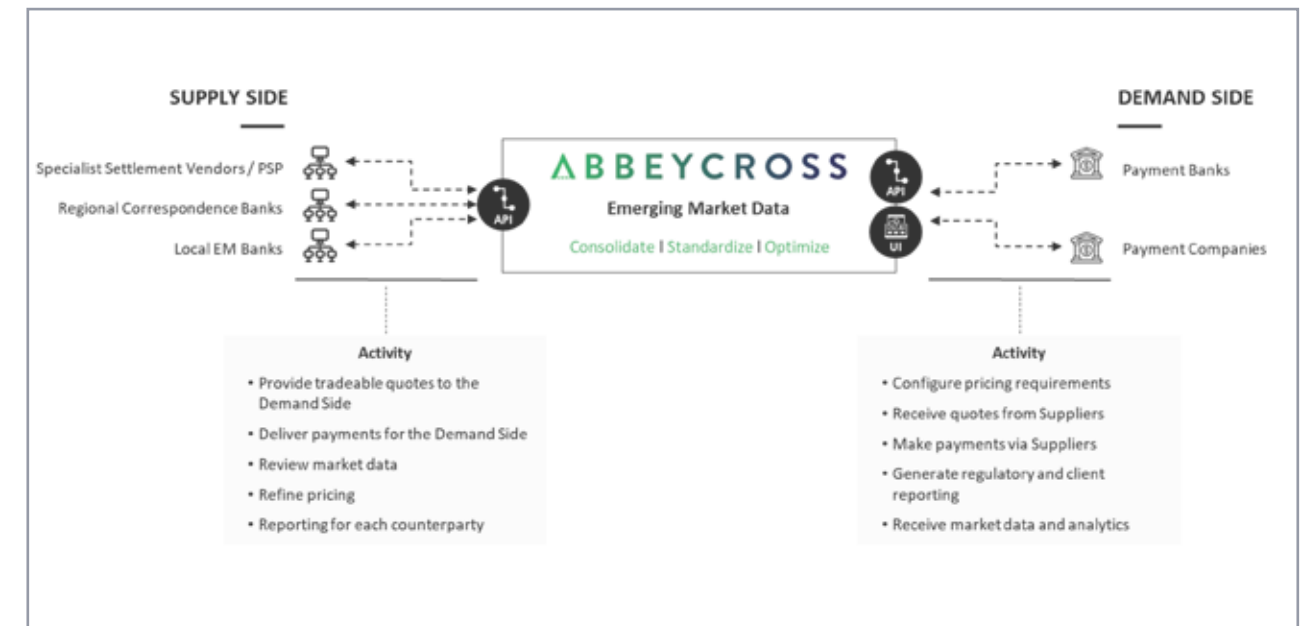
The problem includes high costs, a lack of transparency and difficulty in complying with regulatory obligations. Banks are unable to properly assess the pricing they receive or demonstrate to their supervisory teams, customers and regulators that they are trading at a fair and on-market price. They face material concentration and continuity risks because they have no ready replacement in the event their vendor were to fail. So, it is a huge deal!

Why haven't many of the difficulties and complexities involved with EM cross-border payment ecosystems been addressed in the past?

To understand this, you need to understand how banks manage their payment businesses. Typically, large payment banks manage cross-currency payments in three ways:

1. Internally, where a bank has a branch or branch account in the destination country;
2. Via a correspondent, if the bank has a commercial relationship with a correspondent bank in that country;
3. Via an outsourced settlement arrangement with a specialist vendor, where a single integration enables a bank to make payments into most EM countries.

The first two approaches function well, whereas the third process is fraught with problems. It is the lack of attention to this third process that has banks manage this flow in the same sub-par manner that they did 20 years ago.



Initially, it was a cost versus return challenge; volumes were low, and the cost of service was high; so, outsourcing made sense. What then followed was a 'set and forget' approach that allowed a good thing to become a problem. Most payment banks integrated with one specialist vendor or, if they have more than one, they are not pricing in competition with each other due to downstream settlement data challenges. To date, this arrangement continues to run largely unchallenged and, in many cases, unmonitored.

How will AbbeyCross approach these problems and what benefits will your marketplace deliver?

AbbeyCross is the first wholesale, multi-vendor marketplace for EM cross-currency payments. With an 'integrate once, trade with all' strategy, AbbeyCross will:

- Provide the absent market data for cross-currency payments to EM countries, improving price and market transparency.
- Offer supervisory tools to improve banks' existing processes to assess pricing and trading outcomes.

- Be an efficient marketplace for cross-currency payments to EM countries where banks and payment companies can lower costs and reduce risks. See the figure above.

In what ways are you leveraging new technology to facilitate and underpin your unique infrastructure?

AbbeyCross takes tried and tested bank-approved technology and repurposes it in a manner that is fit for payment trading and settlements. This is not a problem that requires new technology but being smarter with the existing systems.

What plans do you have for partnering with other firms to help you tackle the various challenges?

We believe that strategic partnerships will grow our network, help us create lasting success. AbbeyCross is collaborating with banks, vendors, and payment providers, as well as fintechs using new tech and fresh ideas to solve the age-old problems around 'on-boarding', KYC and AML.

What types of FX market participants are you targeting and will be able to benefit from AbbeyCross?

We are targeting all market participants in the cross-currency trading and settlement space, including corporate banks, payment companies and their settlement vendors. This includes banks with strong regional offerings, specific corridor specialists and even new fintech entrants that have invested heavily in building wholesale settlement utility.

What can we expect to see next from your product and service roll-out?

We have three distinct offerings. The first 'market data' module will roll out in early 2023 and will redefine and reshape the outsourced payments market segment, largely misunderstood within the banking community. It collates, standardizes, and delivers vendor offerings to banking participants. Critical for supervisory purposes, it will also provide the foundation for the 'order execution' and 'intelligent settlement routing' modules that will follow later in the same year.