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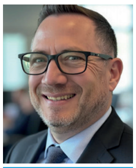
flow briefing

Authors



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Topic

Cross-border payments

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Unlocking instant cross-border payments

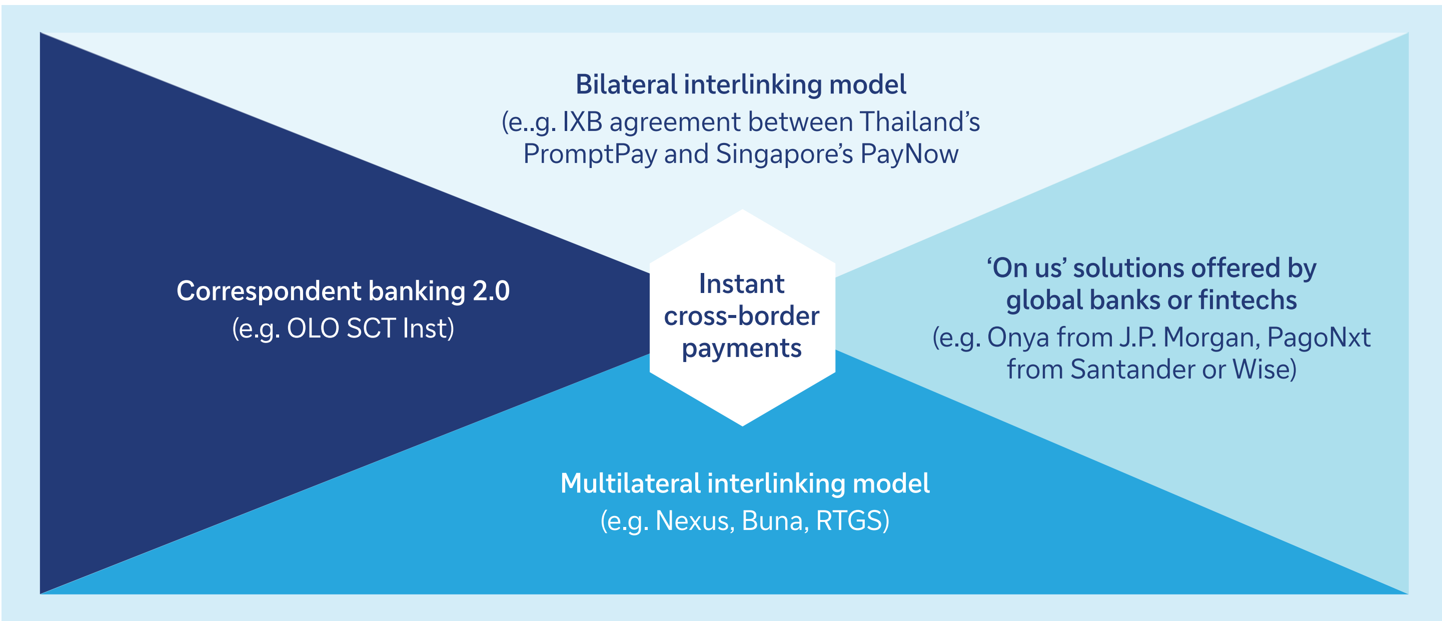
One-leg-out (OLO) arrangements offer one of the most immediate and scalable opportunities to improve cross-border payments. By leveraging existing domestic instant payment schemes, they enable one leg of a transaction to be settled instantly – delivering tangible benefits in speed, cost, and transparency without the need for entirely new rails or approaches.

This makes OLO models a practical way to capitalise on investments that markets have already made in instant payments, while creating a foundation for more interconnected global schemes. The approach also aligns with the G20's Roadmap for Enhancing Cross-border Payments, endorsed in November 2020, which set ambitious 2027 targets to reduce costs and improve speed, access, and transparency.[1]

Under the Roadmap's priority area of payment system interoperability, several models are being tested – from bilateral interlinking to multilateral platforms and blockchain-based solutions (see Figure 1). Yet among these, OLO offers the best potential for immediate, tangible progress.

This briefing explores how OLO models can deliver on that promise and outlines practical recommendations to unlock their full potential.

Figure 1: The four models for instant cross-border payments



Source: Deutsche Bank

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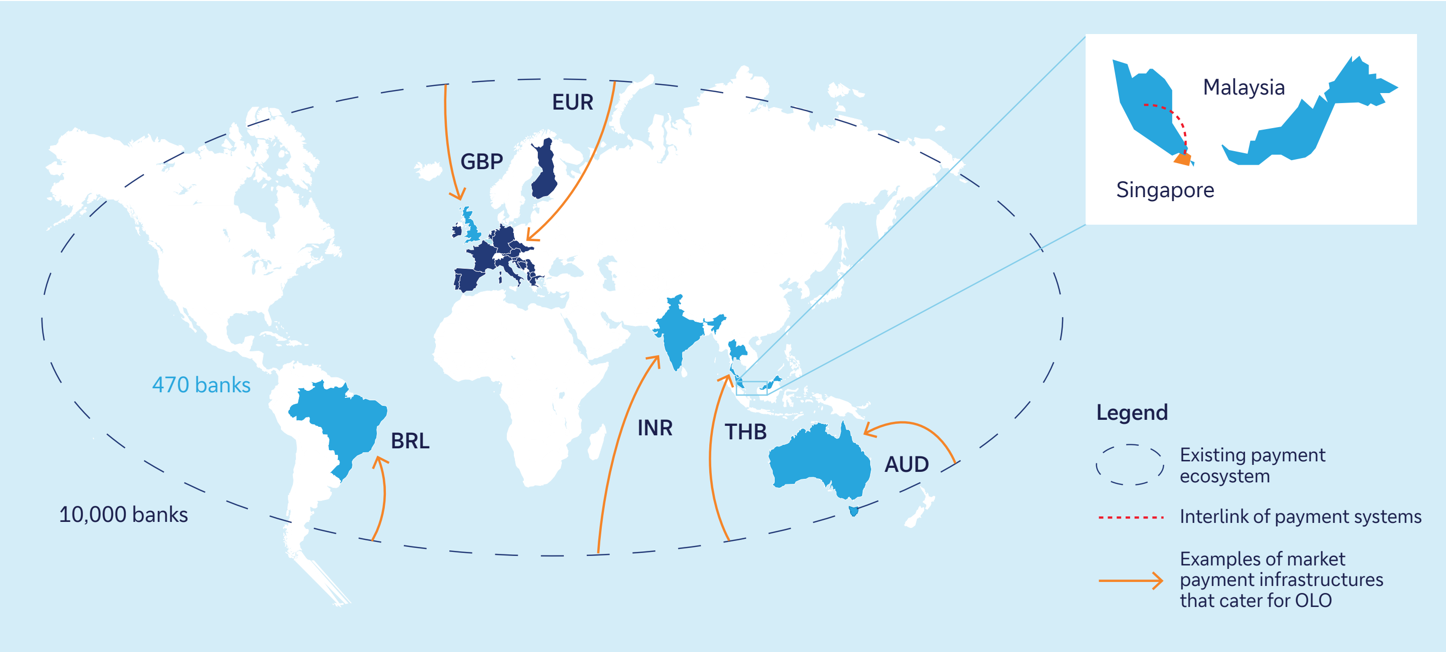
Figure 2: Map of existing OLO schemes



Source: Deutsche Bank

What is a OLO payment?

A OLO payment scheme is a type of cross-border transaction in which one leg of the payment is settled domestically through a local instant payment system (IPS), while the other leg is processed cross-border via correspondent banking or another international settlement method. The two legs are connected by an intermediary that manages both the operational flow and secures the necessary liquidity.

For example, a migrant worker in the UK might send a remittance payment to India. Under the traditional correspondent banking model, the transaction passes through a chain of intermediary banks, each adding time, complexity, and cost – with remittances averaging 6.49% of the amount sent.[2] Settlement can take days, with limited transparency for both the sender and recipient.

By contrast, under a OLO model, while the cross-border leg may still move through traditional settlement rails, the domestic leg is settled instantly via a local instant payment scheme – in this example India's Unified Payments Interface (UPI) system. Doing so ensures the beneficiary receives INR in their bank account or mobile wallet within seconds, rather than days.

The benefits of OLO

Local IPS are emerging as the most efficient method of domestic settlement; providing immediate crediting of beneficiary accounts, operating on a 24/7/365 basis, keeping domestic transaction costs low, and supporting modern API-based integration. When cross-border payments are linked to these domestic rails through OLO models, those same advantages can be extended internationally, helping to address long-standing pain points and support a wider range of global payment needs:

- **Alignment with policy goals.** OLO models directly support the G20's 2027 cross-border payment targets by reducing settlement times from days to seconds, lowering costs by avoiding slow, batch-based clearing, and enhancing transparency with standardised messaging and instant confirmation – all while broadening access for consumers and small businesses.
- **Leveraging existing investments.** More than 70 instant payment schemes are now live worldwide, offering a ready-made foundation for faster and more efficient cross-border settlement.[3] Instead of building entirely new networks or approaches, payment service providers (PSPs) can build on this infrastructure that is already operational domestically – ultimately lowering implementation costs.
- **Regulatory compliance and traceability.** By harnessing IPS with standardised messaging, OLO schemes support compliance with cross-border regulations, including the Financial Action Task Force's updated standards on Recommendation 16 (payment transparency). This ensures end-to-end traceability and reduces the risks associated with workaround – and oftentimes non-compliant – solutions that are actively used today.
- **Addressing the 'last mile' bottleneck.** Even when funds reach the destination bank quickly, customers often wait hours or even days to see them credited. This delay stems from domestic constraints, such as reliance on slow Automated Clearing House systems, batch-based processing, regulatory checks, and varying banking infrastructure that continue to frustrate the end-to-end payment experience. By settling the domestic leg through an instant payment system, OLO arrangements allow funds to be credited within seconds, with real-

time confirmation enhancing transparency. While not eliminating all local frictions (e.g., compliance checks or account-specific restrictions), they offer a major step forward compared with traditional clearing methods.

Global examples of IPS-enabled OLO schemes

For the cross-border payments business, where transactions are often initiated manually, OLO models represent a sufficient first step. The approach can be applied to a wide set of use cases already in demand today – from cross-border remittances and person-to-person transfers to faster gig worker payouts, just-in-time supplier payments in trade, real-time top-ups into mobile wallets, and timely distribution of pensions and government benefits. Looking ahead, the same framework can underpin more advanced use cases – such as Request to Pay – with OLO serving as the foundation for more efficient, interconnected schemes.

This scenario is no longer just theoretical either. Around the world, domestic instant payment systems are already being used to settle one leg of international transactions – providing faster, cheaper, and more accessible cross-border payments by leveraging existing infrastructure (see Figure 2). Examples include:

- **Australia – New Payments Platform (NPP).** Providers can route final AUD leg of inbound cross-border payments to be processed via the NPP on a 24/7 basis.[4]
- **Brazil – Pix.** Several cross-border providers now settle inbound remittances via Pix, with funds credited in real time to the beneficiary.
- **Europe – OCT Inst Scheme.** The European Payment Council's One-Leg-Out Credit Transfer (OCT Inst) scheme lets PSPs in the euro leg reuse Single Euro Payments Area (SEPA) rails – procedures, features and standards – such as SCT Inst and existing SEPA infrastructures, to process incoming and outgoing OLO instant credit transfers.[5]
- **India – UPI.** Remittance providers widely use OLO models with UPI payout, allowing beneficiaries to receive INR instantly into bank accounts or wallets – even outside of banking hours.
- **Singapore – FAST/PayNow.** Singapore's PayNow–PromptPay linkage operates as a fully linked corridor, but OLO frameworks are also used for inflows from non-linked markets, enabling real-time payout via FAST.
- **Thailand – PromptPay.** Thai migrant workers can receive low-cost, instant remittances using PromptPay QR codes, improving financial access for households.
- **United Kingdom – Faster Payments Service (FPS).** Cross-border remittances can be injected into FPS for immediate GBP credit to UK beneficiaries.

Overcoming obstacles to adoption

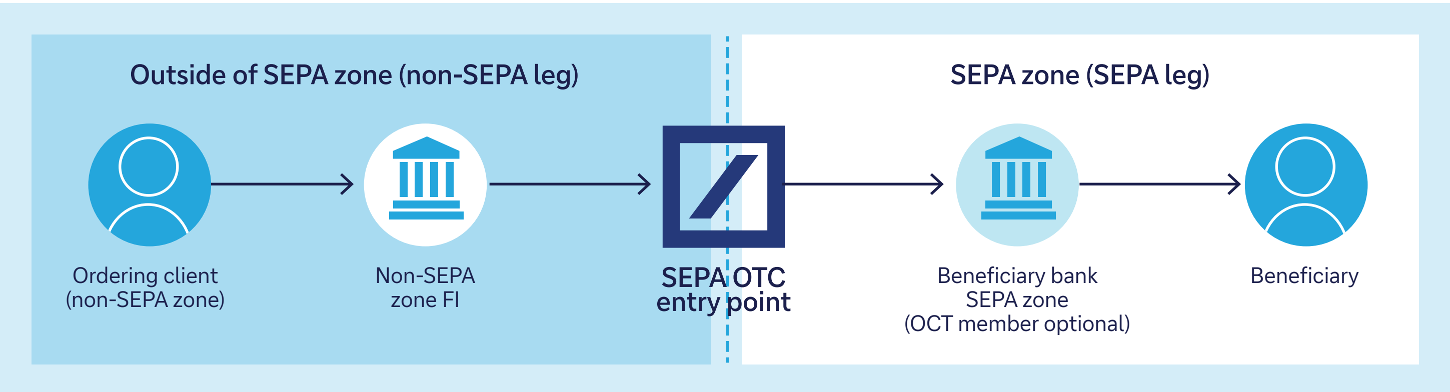
As with other initiatives in the cross-border payments space, progress depends on community cooperation rather than competition. OLO schemes only deliver value if they achieve broad adoption.

This depends on two requirements. It must take place not only at the domestic or regional level, but also globally. Take OCT Inst in Europe as an example. By the end of 2024, the SEPA had already seen the launch of scheme-compliant solutions at both the domestic level, through Iberpay in Spain, and the pan-European level, through EBA CLEARING (see Figure 3). Yet despite this availability, adoption at scale across Europe has been slow. This is where global transaction banks have an important role to play, by driving domestic progress while also engaging their FI clients to accelerate take-up.

Domestic rollout alone is, however, not enough. For OLO to reach its full potential, similar schemes must be established in other major jurisdictions, including the US, Canada, and South Africa. A key barrier today is the perceived trade-off for banks acting as receivers, many of which are reluctant to risk losing cross-border revenues. Were reciprocal frameworks to be in place globally, the revenue loss on inbound flows would be offset by the ability to offer equivalent outbound services to clients, creating a balanced, mutually beneficial ecosystem.

Ultimately, the benefits will come from building a network of interconnected OLO schemes across key markets, ensuring that payments into any participating jurisdiction can be processed with the speed, transparency, and efficiency of domestic instant payments. Achieving this vision requires more than just reciprocal adoption. Several structural barriers still present obstacles:

Figure 3: OLO example: SEPA OCT Inst scheme



Source: Deutsche Bank

- **Interoperability gaps.** Many domestic IPS lack standardised APIs, making it difficult for foreign intermediaries to connect seamlessly.
- **FX conversion complexity.** Real-time FX settlement is often unavailable, limiting the speed of true cross-currency transactions.
- **Licensing and access.** Non-bank remittance providers, which are critical to cross-border flows, frequently face barriers to gaining IPS access.
- **Data exchange constraints.** Uneven adoption of ISO 20022 standards reduces the consistency and richness of information carried across systems.
- **Regulatory uncertainty.** Jurisdictions differ in how they classify and supervise OLO arrangements, creating ambiguity for participants.

Making OLO the cornerstone of cross-border payments

With the G20 Roadmap targets set for 2027, tangible progress is needed urgently – otherwise the likelihood of additional, and potentially unfavourable, regulatory mandates will only grow.

As an industry, we must now strike the right balance between innovation and pragmatism. Waiting for harmonised global standards and regulation is an unrealistic option in the near term. Nor should we place all our hopes on global solutions – whether bilateral links, multilateral platforms, or blockchain – that remain unproven at scale.

Instead, a pragmatic path forward is to make OLO models the cornerstone of improved cross-border payments – starting first with adoption of the model at a pan-European level. This approach builds on infrastructure that already exists to drive progress towards the G20 targets, using ready-made constituents to create outcomes greater than the sum of their individual parts.

While now is the time to take these first steps, success will ultimately depend on broad, global adoption. Domestic schemes cannot operate in isolation; reciprocity and interoperability are essential if the full benefits are to be realised

[1] https://www.fsb.org/uploads/P211024-1.pdf

[2] https://remittanceprices.worldbank.org/

[3] https://www.bis.org/cpmi/publ/d219.pdf

[4] https://www.rba.gov.au/payments-and-infrastructure/pdf/report-interlinking-fast-payment-systems-for-cross-border-payments-april-2024.pdf?utm

[5] https://www.europeanpaymentscouncil.eu/what-we-do/epc-payment-schemes/one-leg-out-instant-credit-transfer?utm