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How Costly Are Cross-Border Payments for Firms?

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Payments and Regulatory Oversight

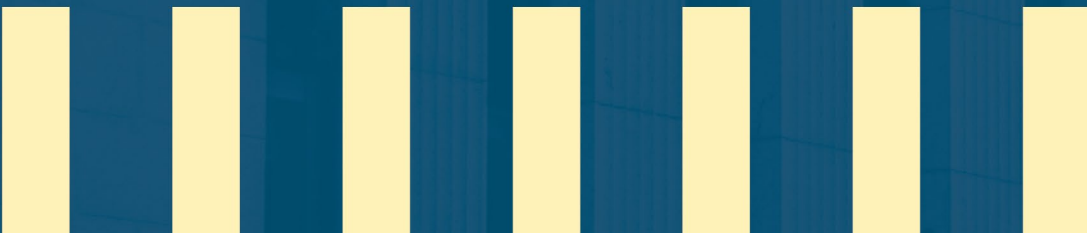
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Abstract

How costly are cross-border payments for firms? Using proprietary FXC Intelligence data on quoted prices for Canadian business-to-business cross-border payments, this note documents three empirical facts. First, cross-border payment costs for firms are costly: banks charge senders a total margin of around 2–3.5% of transaction value, with foreign exchange margins accounting for the majority of these costs relative to transaction fees. Second, payment costs for vehicle currencies tend to be lower. Third, for the same corridor and transfer amount, prices differ substantially across banks, and the size of this dispersion is corridor-specific.

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1 Introduction

Cross-border payments are essential to the global economy, supporting international trade, remittances, and other cross-border financial activity. It is well recognized that cross-border payments are costly, slow, and opaque. The G20 launched a Roadmap in 2020 to make cross-border payments faster, cheaper, and more transparent and inclusive, with most targets to be met by the end of 2027.¹

Empirical studies using granular pricing data are becoming increasingly available, mostly drawing on the World Bank’s remittance cost data² and therefore focusing on person-to-person (P2P) remittance transfers rather than firm payments. However, much less is known about business-to-business (B2B) payment costs, beyond aggregate statistics. According to an industry report (Oliver Wyman and J.P. Morgan, 2021), global corporates move nearly \$23.5 trillion across borders annually, equivalent to about 25 percent of global GDP. Transaction fees alone amount to approximately \$120 billion per year, excluding additional costs from FX conversion, trapped liquidity, and delayed settlements. Given the economic importance of B2B payments, it is important to document and understand the cross-border payment costs firms face, and how these costs vary across corridors, currency pairs, and providers.

To fill this gap, this note asks three questions: (i) How large are these costs, and how much reflects foreign exchange (FX) margins versus explicit fees? (ii) Are payments denominated in vehicle currencies, such as the US dollar, cheaper? (iii) How much does pricing vary across financial institutions for the same corridor and transfer amount?

Using proprietary pricing quote data from FXC Intelligence on Canadian B2B outbound cross-border payments, this note documents three empirical facts. First, cross-border payment costs are non-negligible. For Canadian outbound payments, banks charge total margins of around 2–3.5% of transaction value, with FX margins accounting for the majority of the costs. Second, payments denominated in vehicle currencies tend to be cheaper. Third, for the same corridor and transfer amount, prices differ substantially across banks, and the size of this dispersion is corridor-specific.

This note complements the emerging empirical literature on cross-border payment costs by providing new evidence on B2B payments. Existing studies using granular pricing data focus mainly on P2P remittances, documenting the level and determinants of remittance

¹See Financial Stability Board (2021). For remittance P2P cost, the target calls for global average cost of sending \$200 remittance to be no more than 3% by 2030, with no corridors with costs higher than 5%. For retail cost, including B2B, P2B/ B2P, other P2P, the target calls for global average cost of payment to be no more than 1%, with no corridors with costs higher than 3% by end-2027.

²See World Bank (2025), available at <https://remittanceprices.worldbank.org/>.

costs (Beck, Janfils and Kpodar, 2022; Kpodar and Imam, 2022; Bulusu and Krohn, 2026; Du, Huang and Scharfstein, 2026). In contrast, granular evidence on the costs firms face remains limited. One closely related exception is Dashi et al. (2024, 2025, 2026), who study cross-border payment costs for micro, small, and medium-sized enterprises in the Western Balkans, focusing on transaction fees for euro-to-euro cross-border bank transfers between businesses. This note differs by focusing on Canadian businesses and by measuring both explicit transaction fees and FX margins.

The remainder of this note is organized as follows. Section 2 describes the data and documents three empirical facts on cross-border payment costs for firms. Section 3 concludes.

2 Data and Empirical Facts

2.1 Data

We use FXC Intelligence data on quoted prices for B2B/B2P cross-border payments. To ensure that the quoted prices reflect those faced by businesses, FXC Intelligence verifies that the survey respondents have activated business accounts and are able to send money abroad. Respondents obtain price quotes directly from their online banking platforms and do not necessarily perform a real cross-border transaction.

The data cover Canadian outbound payments (from Canada to selected foreign destinations, 2021–2023) and Canadian inbound payments (from selected foreign origin countries to Canada, 2023–2024). Table 1 shows the countries covered in the Canada outbound pricing data for 2022, as well as the other key variables in the data. The Canada outbound dataset covers the five largest Canadian banks by assets, which together account for around 85% of total assets,³ as well as two payment companies. Data for other years and for inbound payments to Canada have a similar structure, although the frequency of observations (monthly or quarterly) and the coverage of countries and service providers vary across years and between outbound and inbound datasets. More details on data coverage are provided in Table A.1 in Appendix A.

The price quotes are based on simulated transactions, with two transfer sizes: 5,000 CAD and 20,000 CAD for Canada outbound payments, or 5,000 USD and 20,000 USD for Canada inbound payments. The price quotes include the FX margin, which is the markup over the mid-market exchange rate, and a fixed transaction fee. The fee margin is calculated using the fixed transaction fee as a percentage of the transfer amount. The total margin is the sum of the FX margin and the fee margin.

³See <https://fred.stlouisfed.org/series/DDOI06CAA156NWDB>.

We do not observe individual price quotes in the data. Instead, FXC Intelligence provides the statistics of the price quote distribution. Specifically, we observe the 25th, 50th, and 75th percentiles of the FX margin and fee margin, conditional on transaction buckets defined by sending and receiving countries, reference period, transfer amount, institution type, institution, sending and receiving currencies, and transfer initiation and receiving methods, as shown in Table 1. All figures in this note report median total margins for bank-account-to-bank-account transfers.

Given that the survey asks the senders to check the price quotes for simulated transfers, this implies that the cross-border payment costs measured in these data are borne by the sender while receiver-side landing fees (if any) are unknown. In addition, the price quotes may only reflect the costs facing small and medium sized enterprises since larger firms may have negotiated pricing.

FXC Intelligence tracks major local providers in each market, including banks, money transfer operators, and fintechs. Local regulation and competition differs by the sending markets, which affects both the FX pricing and fee structures. As a result, there is a lot of variation in providers and pricing between outbound and inbound transfers.

Table 1: Data Variables and Values — Canada Outbound Pricing, 2022

Variable	Values
Sending Country	Canada
Receiving Country	Australia, Hong Kong, UK, US, and 20 European countries (Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain), China*, Japan*, South Korea*, Mexico*, Vietnam*
Reference Period	M1–M12 (monthly)
Transfer Amount	\$5,000 CAD or \$20,000 CAD
Institution Type	Bank or Payment Company
Sending Currency	CAD
Receiving Currency	AUD, CNY, EUR, GBP, HKD, JPY, KRW, MXN, USD, VND
Transfer Initiation Method	Bank Account, Credit Card, Debit Card, Mobile Wallet
Transfer Receiving Method	Bank Account
FX Margin (p25, p50, p75)	Markup over mid-market exchange rate (%)
Fee Margin (p25, p50, p75)	Transaction fee as share of transfer amount (%)
Total Margin (p25, p50, p75)	FX margin + fee margin (%)

*Receiving-country coverage is available only for payment companies.

2.2 Fact 1: B2B/B2P Cross-Border Costs Are Non-negligible

Cross-border payment costs for firms are non-negligible. Figure 1 shows the total margins charged by banks for Canadian outbound payments from 2021 to 2023 in panel (a) and Canadian inbound payments from 2023 to 2024 in panel (b). Banks charge a total margin of around 2–3.5% of transaction value, with the FX margin accounting for the majority of these costs (over 75%) relative to the transaction fees.⁴ For context, the G20 Roadmap for Enhancing Cross-border Payments sets a target for the global average cost of retail cross-border payments, including B2B and B2P payments, to be no more than 1% by end-2027 (Financial Stability Board, 2021, Table 1, p. 8).

Figure 1 also shows that larger value transfers tend to be slightly cheaper, with CAD 20,000 transfers carrying lower total margins than CAD 5,000 transfers. In addition, Table 2 shows that banks charge total margins that are on average 1.3–2.1 percentage points higher than those charged by payment companies.

Table 2: Regression of Total Margins on Bank Group Indicators

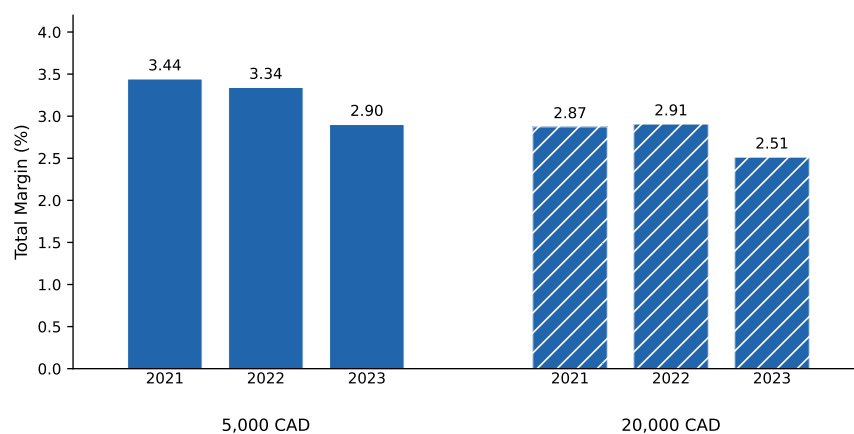
	(1) Outbound	(2) Inbound
Bank $\times$ 5,000	2.092*** (0.069)	1.459*** (0.384)
Bank $\times$ 20,000	1.770*** (0.048)	1.329*** (0.375)
Observations	651	407
Corridors	29	26
Corridor $\times$ amount $\times$ year FE	Yes	Yes
R^2	0.656	0.459
Years	2022–2023	2023–2024

Note: The dependent variable is the annual mean of the median total margin (%) at institution–corridor–transfer-amount–year level, where institutions include both the banks and payment companies. The table reports the regression coefficients for the grouped bank indicator interacted with the transfer amount. Standard errors are clustered at the corridor level. *, **, and *** denote significance at the 10, 5, and 1 percent levels.

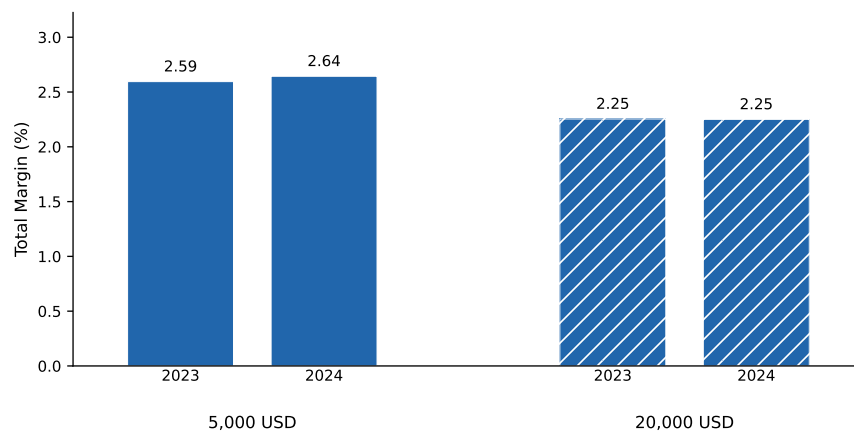
⁴For comparison, Wise’s May 2025 mystery-shopping exercise reports retail FX markups of 1.07–4.27% across the four largest Canadian retail banks (Wise, 2025, pp. 52).

Figure 1: Total Margins Charged by Banks for B2B/B2P Cross-Border Payments

(a) Canada outbound, 2021–2023



(b) Canada inbound, 2023–2024



Note: Bars report unweighted means of annual median total margins across banks and corridors, separately by transfer amount and year. Panel (a) uses the same 24 outbound destination corridors in each year, and panel (b) uses the same 16 inbound origin corridors in each year.

2.3 Fact 2: Payment Costs for Vehicle Currencies Are Lower

Payment costs differ across receiving currencies. Table 3 focuses on bank quotes⁵ and shows that payment costs for vehicle currencies (i.e., USD and euro in the sample) tend to be lower. Total margins for vehicle-currency transfers are on average 0.47 percentage points lower for CAD 5,000 transfers and 0.28 percentage points lower for CAD 20,000 transfers. This pattern is consistent with the idea that FX liquidity differs across currency pairs, and that more liquid, dollar-based pairs tend to have lower trading frictions (e.g., Mancini, Ranaldo and Wrampelmeyer, 2013; Ranaldo and Santucci de Magistris, 2022).

This bank pricing evidence is only suggestive, however, because the regression is based on only five receiving currencies. In addition, receiving currency and destination country are partly confounded. For USD, HKD, AUD, and GBP, each receiving currency is observed in only one destination in the data. In those cases, it is difficult to separate currency-related costs from destination-related costs. Destination-related costs may reflect Canadian banks' correspondent bank relationships in those destinations or regulatory costs.

By contrast, EUR payments are observed across 19 euro-area destinations, and their costs are very similar across those destinations. This pattern suggests that, at least for EUR, payment costs are not solely driven by destination-specific correspondent banking relationships. It could also reflect common euro-area payment infrastructure and harmonized rules, such as SEPA harmonisation⁶ and shared euro payment rails.

2.4 Fact 3: Cross-Bank Pricing Dispersion Is Sizable

There is dispersion in bank pricing even after conditioning on the same corridor, transfer amount, and year. Figure 2 shows the distribution of the residuals from regressing the total margins at bank–corridor–transfer-amount–year level on corridor–transfer-amount–year fixed effects. In other words, the residuals are the pricing dispersion that remains after conditioning on the same corridor, transfer amount, and year. As can be seen, for both Canada outbound and inbound payments, there is a lot of dispersion in pricing across banks.⁷ While most bank margin observations for both outbound and inbound payments fall within 1 percentage point of the average for the same corridor, transfer amount, and year, some outbound margins are approximately 2 percentage points below or above the average, and the

⁵Payment company data begin only in 2022 and cover two companies with distinct pricing strategies. We therefore exclude them from this regression and use a consistent bank sample covering 2021–2023.

⁶SEPA, the Single Euro Payments Area, harmonizes cashless euro payments across participating European countries and territories. See <https://www.ecb.europa.eu/paym/retail/sepa/html/index.en.html>.

⁷We do not report comparable dispersion estimates for payment companies because most corridor–transfer-amount–year cells contain too few payment companies to estimate within-cell dispersion reliably.

Table 3: Regression of Total Margins on Vehicle Currency Indicators

	Total margin
Vehicle currencies	-0.471 (0.328)
20,000 CAD transfer	-0.616*** (0.083)
Vehicle currencies $\times$ 20,000 CAD	0.191* (0.085)
Year = 2022	-0.040* (0.018)
Year = 2023	-0.462*** (0.085)
Constant	3.585*** (0.232)
Observations	30
Year fixed effects	Yes
R^2	0.665

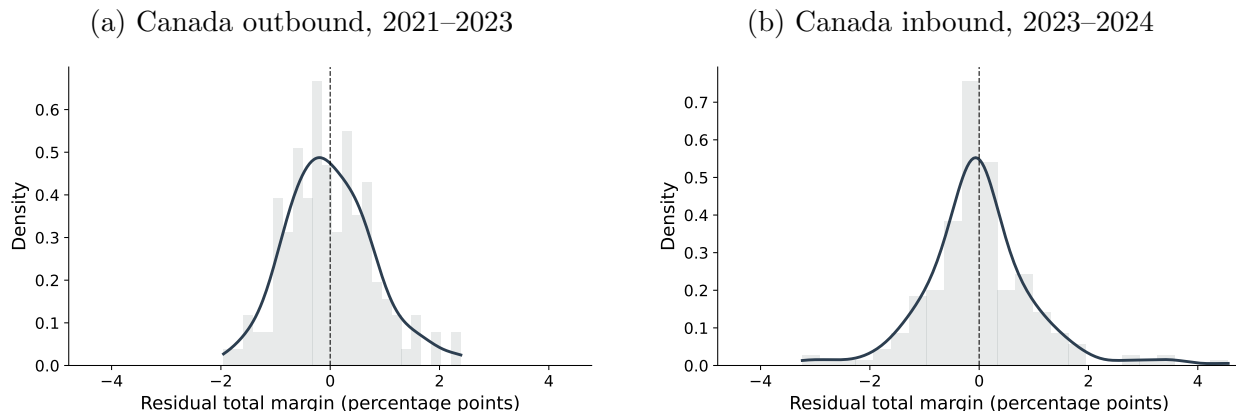
Note: The dependent variable is the annual mean of the median total margins (%) at receiving-currency-transfer-amount-year level. The table reports the regression coefficients for the vehicle currency (USD or EUR) indicator, indicator of CAD 20,000 transfers, their interaction, and year fixed effects. Standard errors are clustered by receiving currency (five clusters). *, **, and *** denote significance at the 10, 5, and 1 percent levels.

range is even wider for inbound payments. Figure B.1 in Appendix B shows that dispersion is present at both transfer amounts in each direction.

Figure 3 complements Figure 2 by showing the distribution of cross-bank standard deviations in total margins, calculated separately for each corridor-transfer-amount-year. For both outbound and inbound payments, the distributions peak at approximately 0.6–0.9 percentage points, suggesting that cross-bank dispersion is common across corridors rather than driven by a small number of corridors. The degree of dispersion nevertheless varies across corridors. For inbound payments, the distributions have long right tails extending to approximately 3 percentage points.

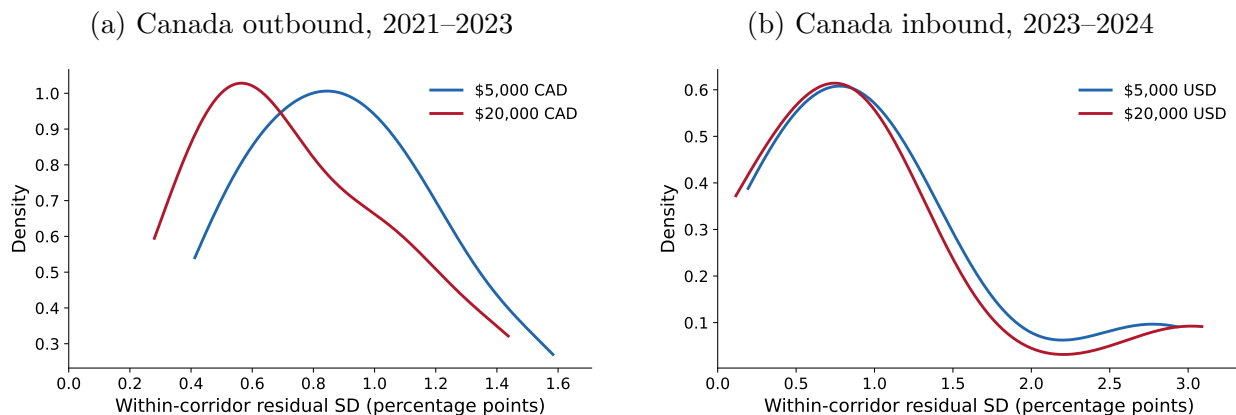
This cross-bank dispersion reflects heterogeneity in banks’ cost structures and pricing strategies. Some banks may process payments more cheaply because of more efficient operations, stronger correspondent banking relationships, more favourable nostro account arrangements, better access to the required foreign currency, or scale economies from larger corridor-specific payment volumes. In addition, observed prices may reflect strategic pricing choices, including differences in customer base and how aggressively they compete for cross-border payment customers.

Figure 2: Residual Total Margins After Conditioning on Same Corridor, Transfer Amount, and Year



Note: Both panels plot residuals obtained by subtracting the unweighted cross-bank mean from annual bank-level total margins within each corridor–transfer-amount–year cell. For outbound payments, European destinations are combined into one corridor group because quoted total margins are very similar across these destinations; inbound origin countries remain separate. Cells with fewer than three banks are dropped.

Figure 3: Within-Corridor Pricing Dispersion by Transfer Amount



Note: Each panel plots the distribution of the within-corridor-amount-year standard deviation of the residuals defined in Figure 2, separately by transfer amount. Only corridor-years observed at both transfer amounts are included; each underlying corridor–amount–year cell contains at least three banks.

3 Conclusion

This note uses FXC Intelligence data to document the costs Canadian businesses face when sending and receiving cross-border transfers. In the 2022 Canada outbound data, banks charge total margins of about 2–3.5% of transaction value, with foreign exchange margin accounting for the majority of these costs relative to transaction fees. The data also show that payment costs vary systematically across receiving currencies, service providers, and payment initiation methods. Using the payment company data, transfers initiated by card or mobile wallet tend to have higher total margins than transfers initiated through a bank

account. In this note, we do not report more granular estimates by initiation method because of disclosure restrictions.

The total margins documented in this note reflect a combination of underlying cost components, including correspondent banking fees, nostro account funding and liquidity management, regulatory compliance costs, and FX execution costs, as well as any markup above marginal cost. Understanding which cost components are most important, and how much of the total margin is driven by costs versus markups, is essential for designing policies to reduce cross-border payment costs. For example, if compliance costs dominate, then streamlining regulatory frameworks may matter more; and if margins largely reflect markups due to limited competition, then promoting entry and price transparency would be more effective. Disentangling these components requires richer data such as banks' cost structures and correspondent bank network, which is an area for future research and policy analysis.

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Appendix

A Data Coverage

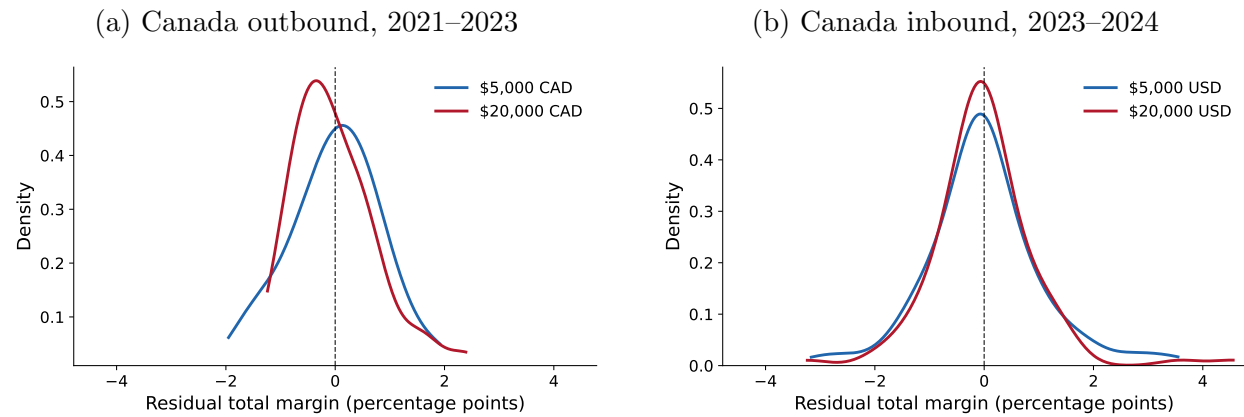
Table A.1 summarizes the coverage of the data by year, payment direction, data frequency, number of institutions, and the number of corridors covered by each type of institution. Note that FXC Intelligence did not collect Canadian inbound data for 2021 and 2022 and this is why the time frame for the Canadian inbound data is different. The table is based on the sample in which the transfer initiation and receiving methods are bank accounts.

Table A.1: Data Coverage Summary

Direction	Year	Frequency	# Corridors	
			Banks	PayCos
Outbound	2021	Monthly (M2–M12)	24	—
Outbound	2022	Monthly (M1–M12)	24	29
Outbound	2023	Quarterly (Q1–Q4)	29	102
Inbound	2023	Quarterly (Q1–Q2)	26	48
Inbound	2024	Quarterly (Q1)	18	41

B Additional Results for Fact 3

Figure B.1: Residual Total Margins by Transfer Amount — Banks



Note: The panels plot the distributions of the residuals defined in Figure 2, separately by transfer amount. Panel (a) compares \$5,000 CAD and \$20,000 CAD outbound transfers; panel (b) compares \$5,000 USD and \$20,000 USD inbound transfers. The dashed line marks zero.