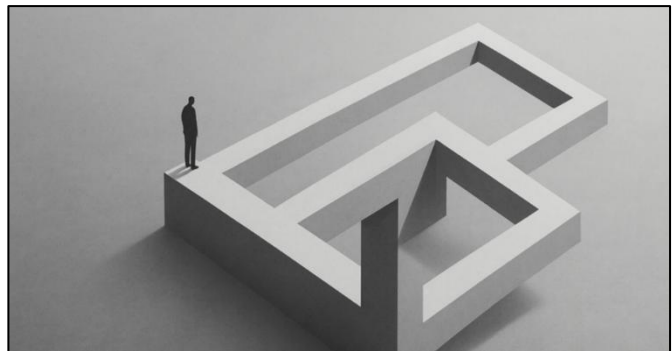


## Difficult Decisions: infrastructure choices, payments, sanctions and alternative networks

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September 2025

**Cross-border payments for the most part still run on SWIFT and old-school correspondent banking, but rules are now forcing banks to go real time. Since 9 January 2025, EU banks have been required to receive euro instant payments within 10 seconds, 24/7. By**



**this October, they also need to be able to send them. That shift means sanctions checks and liquidity coverage now have to happen in real time too.**

At the same time, central banks are moving their pilots into real use. Project mBridge (a joint effort launched in 2021 through the Bank of International Settlements (BIS) Innovation Hub) hit minimum viable product in mid-2024. It now runs validating nodes inside central banks, processes real-value transactions, is Europay, Visa and Mastercard (EVM)-compatible, and works without the usual rulebook. The aim is to make cross-border wholesale payments and on-platform FX possible. In parallel, the BIS is pushing a “*tokenised unified ledger*” that puts central-bank reserves, commercial-bank money and assets, together on a programmable platform. The goal is settlement finality and one standard form of money, with tokenised deposits looking more likely than public stablecoins for main financial flows.

Industry behaviour shows how fast things are shifting. Payments revenue is projected to hit US\$2.4 trillion by 2029. Analyst’s 2025 outlook points to three big drivers, AI automation, digital currencies and real-time account-to-account transfers. These already cover economies making up about 90% of global GDP, and instant payment volumes are rising fast. The biggest hurdle is still foreign-exchange settlement risk. Current “*payment-versus-payment*” (PvP) setups only cover part of the market, so, in many cases, one leg of a trade can settle without the other. Closing this gap with wider PvP adoption and stronger liquidity design is now a top priority for regulators and banks.

Meanwhile, SWIFT stays the main messaging network, but domestic instant-payment schemes are being directly plugged into bank systems. Institutions must now decide whether to invest early in re-wiring systems for real-time compliance, liquidity and multi-rail routing, or to defer and risk higher transition costs, reduced flexibility and heavier regulatory pressure later.

### **The fast-moving alternatives and their choke points**

China's Cross-border Interbank Payment System (CIPS) is the RMB clearing and settlement system for cross-border deals, which is seeing wider take-up, but actual usage depends heavily on the corridor. In many cases, payments still go through correspondent banks for things like FX and sanctions checks. So, when looking at CIPS as a backup option, it is important to separate the number of participants on paper from the real throughput in practice.

On central bank digital currencies, mBridge has already reached minimum viable product. It runs validating nodes at participant central banks, handles real-value transactions and is built on Ethereum Virtual Machine tech, meaning it can operate on mainstream blockchain standards. That makes it a real contender for wholesale cross-border payments and FX.

Regional instant-payment links are being driven by policy. The EU's Single Euro Payment Area (SEPA) instant rules force banks to handle sanctions checks and fraud monitoring at a 24/7, 10-second pace. Any cross-border bridge that wants credibility will need to meet the same standard. For tokenised deposits and unified ledgers, the BIS view is clear: platforms built on central-bank reserves and commercial-bank money preserve the "*singleness*", flexibility and integrity needed for core flows. Public-chain stablecoins do not meet those tests at scale.

The choice for policymakers and corporates is simple but tough, join these new rails early and pay the upfront costs or stick with the old system and risk being shut out as alternative platforms build momentum. The trade-off is between paying now or losing options later.

### **How banks, PSPs and corporates are adapting in practice**

Banks are adding more backup routes into their payment networks. They are opening regional clearing channels, like RMB ones, and shifting cut-off times so payments can move around the clock. Strategy teams are also drawing up "*multi-rail*" playbooks to reroute payments fast if one channel gets blocked. KCS Group sees three main drivers here, expanding sanctions, the push to meet real-time rules and governments wanting more financial sovereignty. These forces are now shaping how banks design systems and manage risk.

Since January 2025, EU banks have had to receive euro instant payments within 10 seconds, and from October 2025, they must be able to send them too. That means sanctions checks, payee verification, fraud monitoring and liquidity controls all have to run continuously, not in batches. Compliance teams are ditching rigid rule sets and turning to *AI-driven screening*, which cuts false alerts, keeps audit trails clean and still meets the 10-second window. Industry notes say this reduces wasted alerts and speeds up escalation when real risk appears.

Treasurers are spreading payments across SWIFT, regional instant rails and even some Central Bank Digital Currency (CBDC) pilots to cut down veto and outage risk. Stress tests now include blocked routes and whether funds are “*walletable*”. Policy groups are also pushing for wider PVP coverage to fix exposures where only one side of a trade is guaranteed to settle.

Running compliance and fraud checks in real time costs more per transaction. Banks are adjusting pricing and leaning hard on cost-control levers. Payment service providers are monetising speed and transparency but also taking on bigger analytics bills. KCS Group sees this as part of a wider trend where modernising risk and compliance becomes a competitive edge.

### **Dependence on US/EU plumbing and responses to alternative networks**

Even with all the new pilots, most cross-border payments still flow through dollar and euro channels. Those pipes give scale and legal certainty, but they also centralise control with access, screening and data all sitting under Western policy. That is why companies see “*multi-rail*” options as backup plans, not full replacements.

It must be seen that Western regulators are tightening the core instead of giving ground. The EU’s rule that banks must process instant euro payments within 10 seconds shows how the bar is rising. Alternatives like China’s CIPS, Russia’s System for Transfer of Financial Messages (SPFS) or CBDC pilots such as mBridge (at MVP since mid-2024) are often pitched as workarounds to US restrictions. But in practice, limits on convertibility, liquidity depth, governance and sanctions compliance stop them from being true substitutes.

Fragmentation could split standards and spread liquidity too thin, but the same pressure is forcing upgrades to the current system of real-time operation, tougher integrity checks, and tokenisation anchored on public money. For now, the reality is that US/EU rails remain the baseline, with redundancy being added around the edges rather than a wholesale shift.

Governments and corporates face a clear choice. Stick with entrenched US/EU systems and accept the political leverage that comes with them or invest early in alternatives that are still less liquid and more fragmented. The trade-off is stability and legal certainty today versus optionality that could, over time, chip away at Western dominance.

### **Who benefits in a more plural payments order?**

The financial centres best placed for the future are those that can handle multiple settlement methods like traditional Real Time Gross Settlement (RTGS), instant payments, RMB channels, and tokenised platforms. Keeping transactions and data flows inside their own systems means lower fees and more control. Tokenised designs backed by central bank money also give stronger settlement guarantees, which could pull more wholesale business into hubs that can run them at scale.

For commodity exporters, invoicing bilaterally in local currencies can offer fallback routes and some cover from policy shocks. But it is not without limits. Thin FX liquidity and basis risk can weaken pricing, while gaps in PvP coverage still leave counterparties open to settlement risk.

Payment providers that can manage smart routing across rails, bake in real-time compliance, and add treasury tools like virtual accounts and programmable escrow, are climbing the value chain. Instead of just processors, they become network managers providing a competitive edge as payments shift fully to always-on operations.

The smaller economies that stay most resilient will be those with access to several payment corridors, not just one sponsor. That often means hubs along active trade routes like, for example, Southeast Asia (Singapore, Thailand), the Gulf (UAE, Qatar), or commodity frontiers like Kazakhstan and Nigeria, which can plug into dollar/euro rails, RMB channels, and upcoming CBDC bridges, at the same time. By contrast, smaller nations tied too closely to one major backer, whether the US, China or Russia, leave themselves exposed to political leverage.

Maintaining strong anti-money laundering and counter-terrorism financing regimes is critical as well. Since 2020, the IMF, BIS and World Bank have all linked cross-border payment upgrades to financial-crime controls, warning that weak jurisdictions risk being cut out of interoperable systems. Instant-payment and tokenised platforms, with stronger screening and traceability, could raise the bar against organised crime and terror finance, closing loopholes left by slower, lightly supervised correspondent banking. At the same time, inclusion remains a priority.

Payment Aspects of Financial Inclusion (PAFI) guidance insists that new payment infrastructures must reach underserved economies, especially where correspondent banks have pulled back. Done under solid governance, this more plural system can boost resilience for smaller states while tightening defences against illicit flows.

## **Conclusion**

The direction is obvious now. Payments are moving to 24/7, instant settlement because of new rules and central bank pilots. But two things still hold everyone back, and that is foreign exchange risk and making sure transactions are legally final. Nobody can sit around waiting for the perfect setup. Companies and governments need to shore up their current systems, keep strong links to the US and EU networks, upgrade their checks and liquidity so they can clear payments within 10 seconds, and widen coverage of PvP deals. At the same time, they should only try out alternative systems if the money flows and governance look solid.

The aim is to be flexible without breaking things up. That means having routes across multiple networks, using tokenised money backed by central banks and sticking to clear rules. The financial centres that can link up instant payments, RTGS, tokenised platforms and China's RMB rails, will get the business and the data. Exporters and agile payment firms will win too, if they keep a close handle on FX swings and compliance. Smaller countries need to spread their bets across more payment corridors and keep their anti-money-laundering standards tight, or risk falling into dependence. In short, make choices that keep control and certainty over how payments finish.

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