



25 JUNE 2026

Principality at Risk: How Friction and Uncertainty Erode SME Cross-Border Relationships



Contents

Foreword	2
Executive Summary	3
Introduction	11
Shadow Infrastructure	14
Shadow Infrastructure by market	16
The Uncertainty Tax	18
The Uncertainty Tax by market	21
Principality Risk	22
Principality Risk by market	23
Modernizing cross-border execution	25
Final Thoughts	27
Methodology	28
Appendix: Principality Risk Model	32
About Mastercard Move and FXC Intelligence	33
Legal Notice	34

Foreword



Walter Pimenta

EVP, Head of Commercial
& New Payment Flows
(Latin America & the
Caribbean)
Mastercard

Small and medium-sized enterprises (SMEs) are one of the most important forces in Latin America's economy. They create jobs, connect local markets to global supply chains, and increasingly depend on cross-border payments to source, produce, and grow. But as these businesses become more international, the cost of poor payment execution becomes more strategic, not just for them, but for the institutions that serve them.

FXC Intelligence spends its time measuring how cross-border markets evolve: where volume is growing, where providers are gaining or losing share, and how customer behavior changes when payment experience falls short. What this report shows is that the real risk in SME cross-border is no longer just transactional. It is relational. Banks may still appear primary while economically meaningful wallet share quietly leaks elsewhere, one corridor and one payment flow at a time.

This second edition builds on the foundation of Mastercard's first Latin America SME cross-border whitepaper. Where the first report combined live transaction testing across 70 payment flows with interviews to quantify friction in the system, this edition goes deeper into how that friction is experienced operationally inside the enterprise. The findings point to three linked dynamics: Shadow Infrastructure, where SMEs build their own manual operating layer around fragmented bank processes; the Uncertainty Tax, where firms cannot reliably predict arrival, landed amount, or total cost; and Principality Risk, where those operational frustrations gradually turn into wallet-share erosion.



Daniel Webber

CEO
FXC Intelligence

For banks and payment providers, this is not a marginal service issue. It is a commercial warning sign. Cross-border is more modular than other banking products, easier to compare across providers, and often the first place where dissatisfaction becomes visible. The institutions that reduce work, improve predictability, and make outcomes easier to trust will be in a stronger position not only to retain flows, but to deepen client relationships over time.

That is why this report matters. It is not simply a description of friction. It is a guide to how SME cross-border relationships are being reshaped in practice, and to where modernization creates the greatest value.

Together, we hope this report helps banks and payment providers think more clearly about where cross-border friction is creating commercial risk, and how modernization can reduce that risk for the SMEs they serve.



Executive Summary

SMEs are not just shopping for better cross-border payments. They're quietly shifting cross-border volume away from their bank, one payment flow at a time. In our SME panel, **90% said they would consider changing cross-border payment providers**. Among those open to changing, the average volume they would consider moving was around 70% of their cross-border payments. And this doesn't stop at payments. Among SMEs willing to move their cross-border payments, **95% said they would consider moving other banking services** within the next 12 months. The cross-border payments experience is increasingly the first place where dissatisfaction becomes visible and where wallet-share erosion begins.

Provider change rarely happens all at once. Many SMEs remain anchored to their main bank for credit, collections, and local network reach – even as they reroute cross-border flows corridor by corridor. The stakes are large and growing fast. SME cross-border payments in Latin America are a high-frequency operating necessity, not an occasional transaction. FXC Intelligence market sizing shows that over **40% of all import payments are made by SMEs** in Latin America, and FXC forecasts that SME import payments will grow by about 25% by 2030. As volumes rise, payments are sent across more corridors, to more suppliers, with more operational complexity per payment. If cross-border payment execution remains opaque and exception-heavy, it becomes a constraint on SME growth and a compounding cost-to-serve problem for banks.



"I will surely move our cross-border payments to a better provider. For most international transfers we avoid the traditional banks anyway."

CEO, mid-sized Mexican importer

This paper builds on Mastercard's 2025 examination of cross-border payments in Latin America by combining FXC market sizing with in-depth interviews across Mexico, Brazil, and Colombia to show how cross-border friction is experienced by SMEs (see: Methodology).¹



"It's so hard for us to manage international payments... it prevents us from growing."

Accounting lead, mid-sized Brazilian importer

¹Small businesses, big opportunity: Unlocking SME potential in Latin America's cross-border space. Mastercard, June 2025. (Access [here](#))



These are recurring operational burdens, not isolated incidents.

1. A typical cross-border payment consumes around 2 hours of internal handling time, while roughly one in nine (11%) requires investigation, repair or status chasing.²
2. External evidence points in the same direction. Mastercard's 2025 work found that in Brazil, **80% of payments** took more than four days and **1 in 5 took more than 10 days**; it also warned that banks, while still holding around **75% of flows**, will need to adapt or lose ground.³

Bottom line: The cross-border payments experience is now a principality risk and a relationship-defense priority. Improve predictability, payment visibility, exception rates, and landed-amount clarity, and banks can reduce leakage before it spreads into the wider relationship. Those that get this right will be better placed to defend wallet share and deepen SME relationships over time.

The Provider Change Engine: Internal Work, Uncertainty, and Share at Risk in SME Cross-Border

Provider-change intent and share at risk



90% would consider changing provider

and move
~70% of cross-border volume

95% would consider moving other services within 12 months

Typical payment takes



~2 hours
of internal handling time to prepare for execution



Manual data entry in Excel spreadsheet



Screenshot confirmations to suppliers



Internal cross-team email chains



ERPs do not reliably integrate with banking cross-border services

Investigation required on



~1 in 9 transactions
Follow-up, repair, or status chasing



Unexpected investigations increase the cross-border payment burden, add complexity and create delays.



Not knowing payment duration and costs strains working capital and aggravates suppliers.

² These handling times are internal to SMEs and are not bank settlement times.

³ *Small businesses, big opportunity: Unlocking SME potential in Latin America's cross-border space.* Mastercard, June 2025. (Access [here](#))



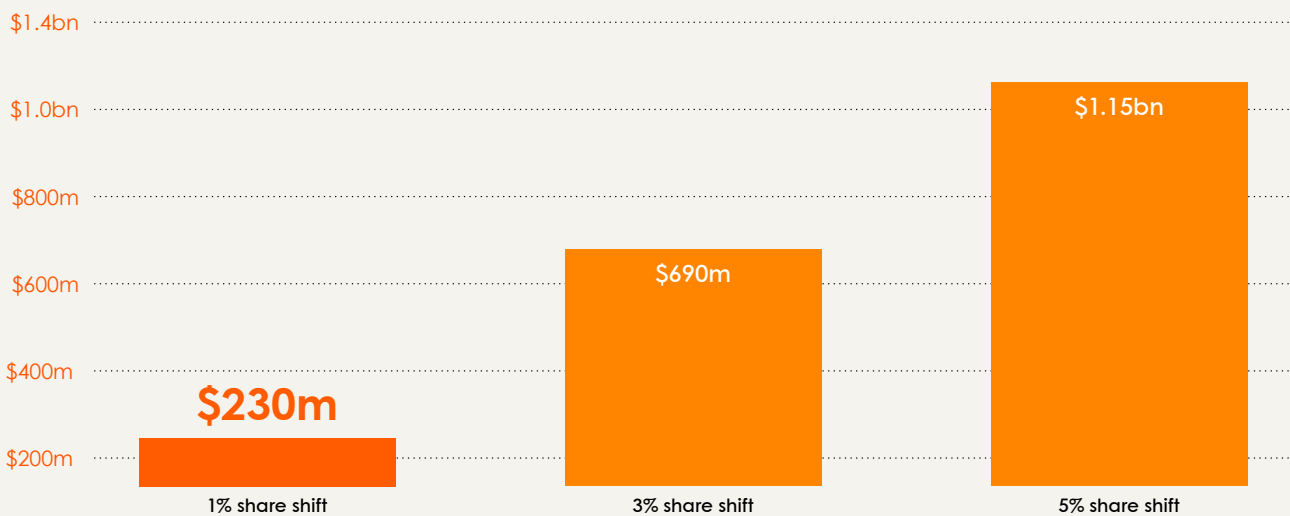
Revenue at Stake: SME flow shifts can move meaningful payment and FX revenue

FXC Intelligence market sizing shows that the SME cross-border flow and revenue pool is concentrated in the region's largest markets. The revenue pool is estimated based on FXC Intelligence's data on flows and the FX fees and margins of banks and payment providers in the region. Even minor shifts toward alternative providers can result in significant revenue leakage and a material erosion of primary-bank status.

Fees and FX spreads define the revenue pool. Friction puts that revenue at risk. The same failures recur across the cross-border payment journey.

Even Small Share Shifts Create Material Revenue Leakage

This is a wallet-share erosion story, not an all-at-once client-loss story: even modest rerouting can move meaningful annual payment and FX revenue away from incumbent providers.



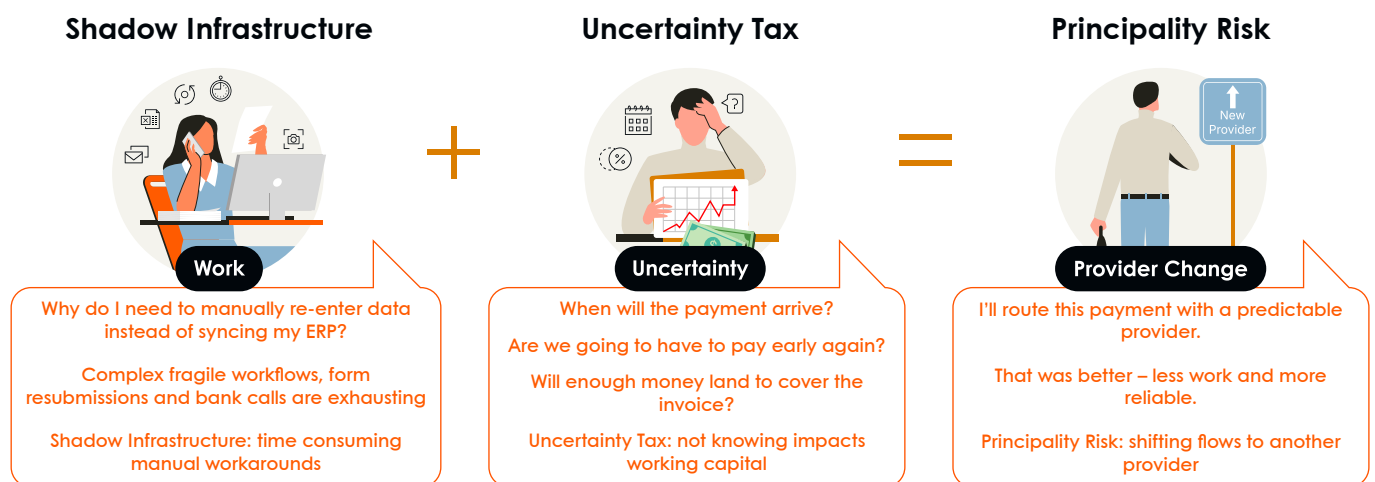
Methodology: Directional estimate based on FXC Intelligence flow sizing and typical FX fee/spread assumptions; excludes wider relationship economics.



How friction drives provider change: manual work rises, uncertainty persists and SMEs split flows

Across our SME panel, the same pattern repeats: work increases, uncertainty rises, and provider change becomes more likely. A cross-border payment is not a single step; **it is a chain that runs from invoice and approvals through initiation, execution, tracking, and status updates**. When friction appears at multiple points in that chain, SMEs respond in predictable ways.

Work + Uncertainty = Provider Change



“Operationally, systems are not integrated. Our ERP doesn’t connect to the bank portal for international payments — we basically do everything separately.”

Owner, mid-sized Mexican importer

1. Shadow Infrastructure: SMEs build shadow operations because bank journeys do not run end-to-end

Across the SME panel, cross-border payments require manual workarounds:

- re-entering payment data,
- validating beneficiary details, resubmitting documents,
- coordinating approvals, and chasing status when “sent” does not mean received by the beneficiary.

This pattern differs by market:

- **Mexico:** firms keep multiple bank relationships because platform failures, cutoffs and system availability make execution unreliable.
- **Brazil:** teams create their own oversight and escalation processes because payments can fail without notification.
- **Colombia:** reporting and compliance requirements push teams to act as their own control function, with some employees describing it as taking on responsibilities the bank should handle.

Why it matters: This work absorbs finance and operations capacity, increases error risk, and pushes teams into repair work rather than planning.



2. The Uncertainty Tax: SMEs can absorb a fee, but struggle to absorb uncertainty

Across the SME panel, the recurring problem is not simply price, but the inability to predict when the funds will arrive with the supplier, how much will land, or what deductions will occur along the way.

This drives defensive behavior: paying early, holding buffers, escalating internally, and managing suppliers. It is consistent with Mastercard's 2025 report, which found long-tail delays and failed payments in several corridors.

The impact is visible across our SME panel; uncertainty is both common and consequential:

- **more than half** reported landed amounts not covering the full invoice.
- **about half** pay early or prepay because timing cannot be trusted.
- **and three quarters** say arrival uncertainty has directly affected working capital.

This aligns with Mastercard's January 2026 global research, which found that trust (35%), speed (34%), and transparency (28%) rank ahead of cost in provider selection.

The pattern differs by market:

- **Mexico:** even with "OUR" charges selected, suppliers can receive less than expected, and failed payments may result in fees being charged twice.
- **Brazil:** silence when something breaks can turn an exception into weeks of follow-up.
- **Colombia:** the defining issue is visibility after initiation: SMEs need to know not just whether the payment left, but what is expected to land and what was deducted along the way.

Why it matters: uncertainty turns cross-border payments into a working-capital, supplier-management and trust problem. When another provider offers clearer timing, landed-amount visibility and payment tracking, SMEs become willing to move volume even if the spread is not the lowest.



"Fintech is predictable; however, traditional banks offer zero predictability, with no confirmation that funds have actually reached the beneficiary."

CEO, mid-sized Mexican importer



3. Principality Risk: cross-border is often the first product to move

Because cross-border payments are easier to unbundle than core banking products, dissatisfaction often shows up here first. SMEs may keep their main bank for core services while rerouting specific corridors, urgent payments or high-friction suppliers to providers that offer more predictable execution. Mastercard's January 2026 global research points in the same direction: provider diversification is already mainstream, with most firms using multiple providers and prioritising trust, speed and transparency over cost.

In our SME panel, the leakage pattern differs by market:

- **Mexico:** provider redundancy for resilience leads to flow splitting.
- **Brazil:** urgent payments shift first to proven providers.
- **Colombia:** poor visibility and control drive provider reassessment.

Why it matters: banks can remain the primary banking partner in name while losing economically meaningful cross-border wallet share in practice. Once SMEs learn that cross-border can be modularized, principality becomes easier to erode at the edges.

What “better” looks like: fewer exceptions, clearer timing and landed-amount certainty

For SMEs, “better” means fewer exception payments, clearer timing, stronger payment visibility and greater confidence in the amount that will land.

Closing the Gap: what SMEs struggle with today and what banks need to fix

Problem area	What SMEs report	Why it matters	Target state
Payments requiring follow-up	~11% require follow-up; ~89% follow a happy path.	Consumes SME capacity and increases pressure to try another provider.	Fewer payments needing follow-up.
Time spent resolving a problem payment	4–10 hours per problematic payment.	Turns payment issues into operational risk.	Fast resolution with clear next steps.
Timing predictability	Usually next day, but can take more than 3 days in many corridors.	Forces buffers, early payment, and missed steps.	Predictable corridor-level timing.
Net amount received	Typical deductions of \$25–\$50 ; ~55% reported landed amounts not covering the full invoice.	Triggers supplier holds and payment restarts.	Net amount shown upfront.



The banking opportunity: reduce the triggers that cause SMEs to split flows

Four Priorities for Enhancing the Cross-Border Payment Experience

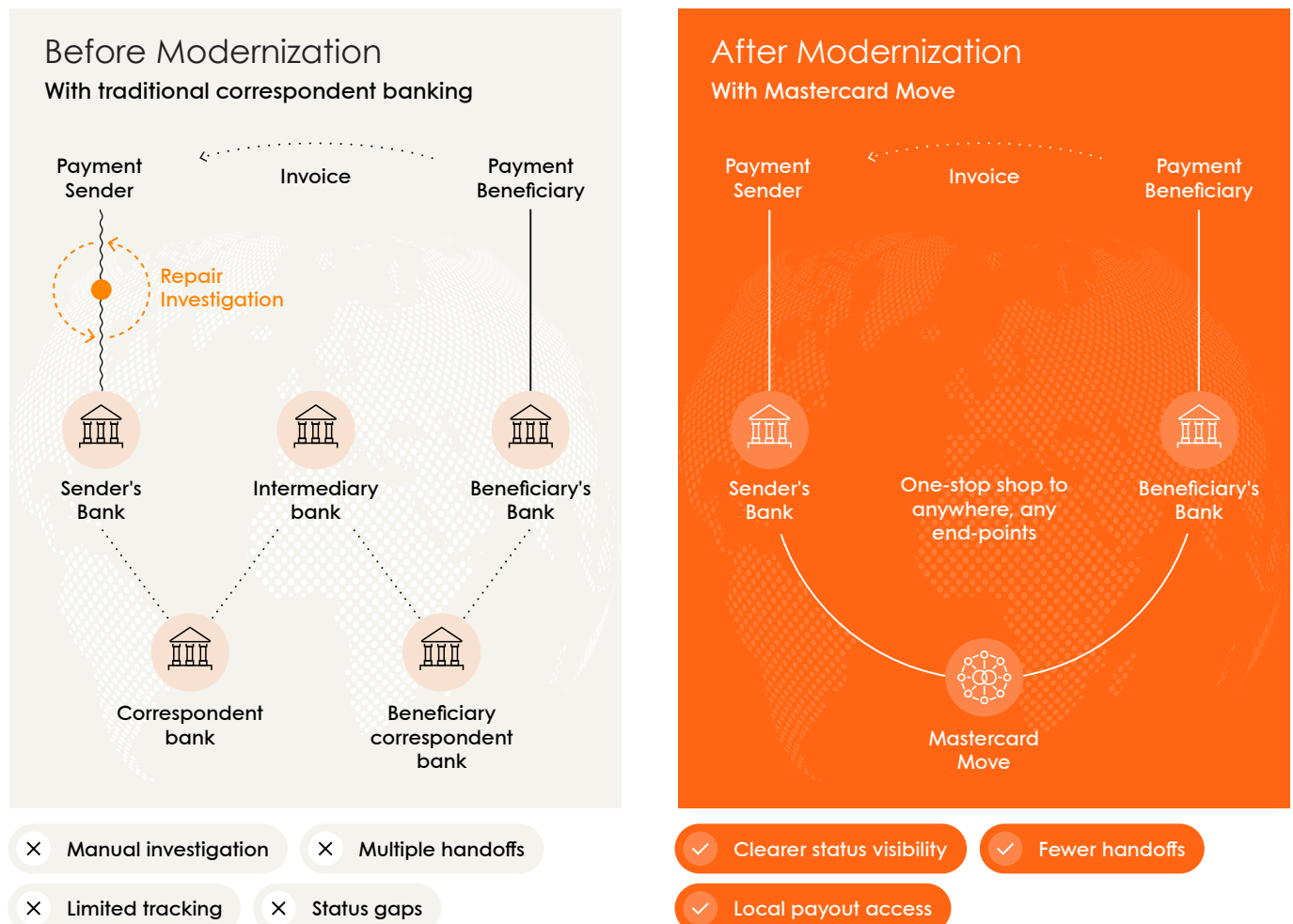
1. Predictability: corridor cut-offs + delivery windows + expected landed amount shown upfront
2. Control and visibility: end-to-end tracking + status updates + payment progress visibility
3. Exceptions: real-time processing + automated AML controls + faster resolution
4. Transparency: landed amount + fee/FX visibility

The evidence points to a practical retention agenda for banks: reduce the moments that trigger follow-up, investigation, supplier escalation and provider testing. The opportunity is not simply to improve the payment product, but to remove the operational friction that causes SMEs to split flows across providers.

Mastercard Move can support this agenda by helping banks and payment providers improve payment visibility, validation, local payout access, and more predictable execution. The value for banks is evidence-led: fewer exceptions reduce investigation time; clearer tracking reduces status-chasing; upfront landed amounts reduce supplier disputes; and a more reliable experience helps defend cross-border wallet share.

Mastercard's global research reinforces these priorities: payment tracking (43%) and fraud detection (42%) are the value-added services firms want most.

Traditional correspondent banking vs. simplified orchestration with Mastercard Move



Four priorities for improving SME cross-border experience

Each priority responds directly to problems surfaced in the SME panel and interviews.
Re-keying data across portals and forms





Introduction

Latin America's SMEs are becoming more international, more operationally complex, and more dependent on cross-border payments that work under real business conditions. As supplier networks widen, payment frequency rises, and corridor complexity increases, cross-border execution becomes a growth issue, not just a back-office one.



~\$230m

Even small share shifts create material annual revenue

leakage: c.\$230m for every 1% shift in Latin America SME cross-border flow

The commercial stakes are meaningful. Mexico and Brazil account for a disproportionate share of SME cross-border payments and of the revenue earned by banks and payment providers supporting those payments. In large markets, even modest changes in behavior can move meaningful revenue: FXC market sizing indicates that roughly every 1% share shift in Latin America SME flow implies about **\$230m of annual revenue** moving to another provider. That refers to direct cross-border payment and FX revenue, not the wider economics of the banking relationship.

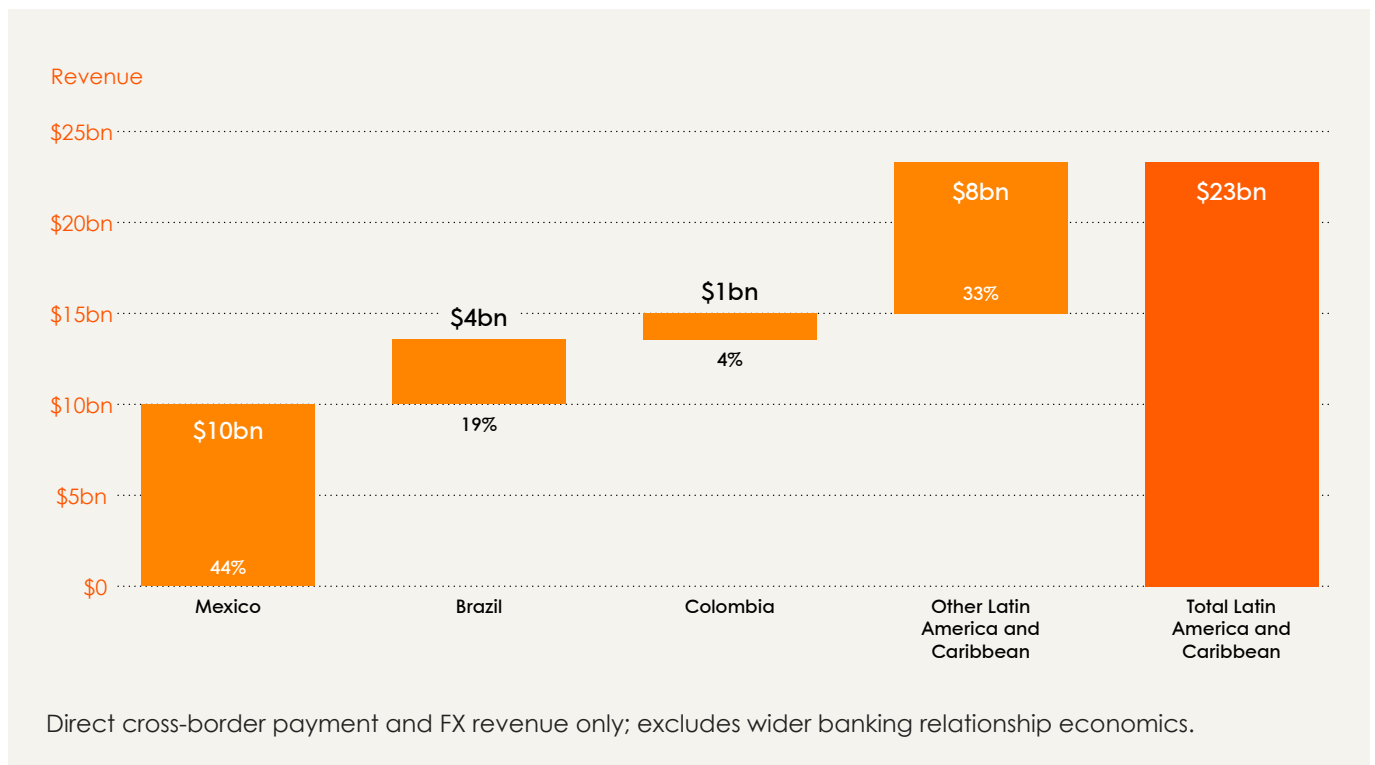
This paper combines FXC market sizing with 41 qualitative interviews across Mexico, Brazil, and Colombia, building on the first edition's transaction-testing foundation to show how cross-border payment friction is experienced inside the enterprise.

The revenue pool shows where value is concentrated. The sections that follow explain why that value is becoming more contestable: not because SMEs abandon banks overnight, but because repeated execution failures make specific flows easier to reroute.



This figure shows where direct cross-border payment and FX revenue sits across Latin America's SME market. It focuses on the revenue pool that banks and payment providers are competing to defend, rather than on total payment flows. Revenue shown here refers to direct cross-border payment and FX revenue only, not the wider economics of the banking relationship. These revenue estimates provide the commercial context.

Where the SME Cross-Border Revenue Pool Sits (2025)



The revenue pool is concentrated. Mexico and Brazil account for the largest shares of Latin America's SME cross-border payment and FX revenue pool, with the remainder spread across other Latin America and Caribbean markets. That concentration matters because even modest routing changes can move meaningful annual revenue away from incumbent providers.

The next figure shows why that matters commercially: even small share shifts can create material annual payment and FX revenue leakage.

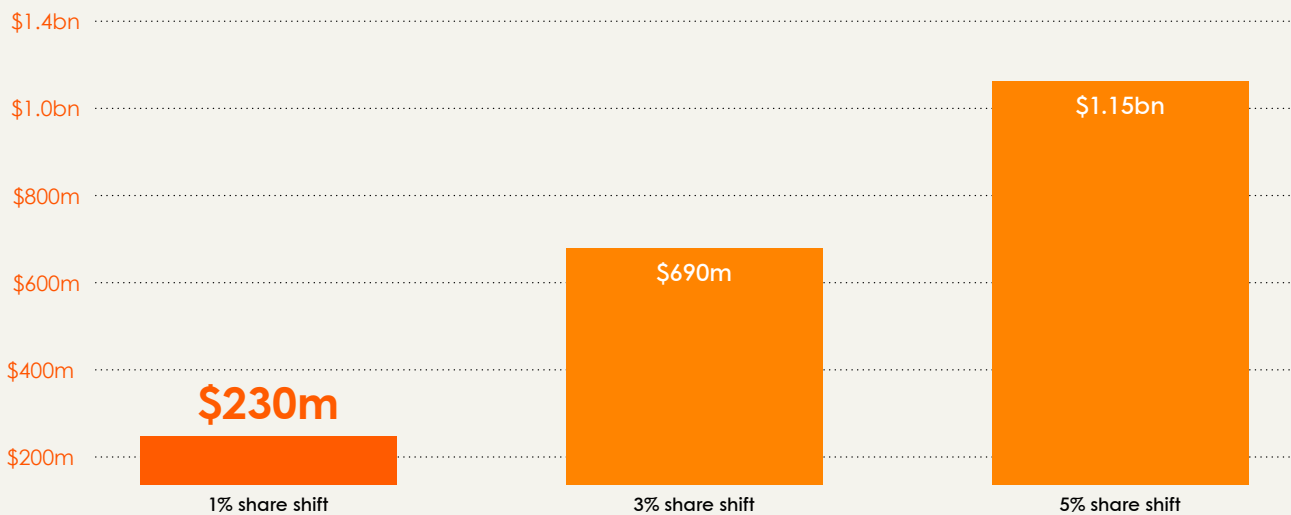


This figure shows how even modest provider change can translate into material annual payment and FX revenue leakage.

What makes this more than a market-sizing story is how leakage starts. SMEs do not usually move an entire banking relationship at once. They reroute specific corridors, urgent payments, or problematic flows toward providers that offer more predictability, clearer payment visibility, lower repair effort, and greater landed-amount certainty. The next sections examine the operating reality behind those decisions.

Even Small Share Shifts Create Material Revenue Leakage

This is a wallet-share erosion story, not an all-at-once client-loss story: even modest rerouting can move meaningful annual payment and FX revenue away from incumbent providers.

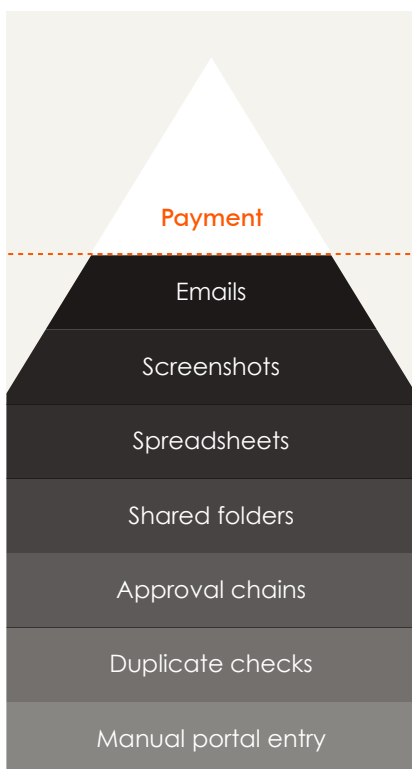


Methodology: Directional estimate based on FXC Intelligence flow sizing and typical FX fee/spread assumptions; excludes wider relationship economics.





Shadow Infrastructure: SMEs build operating layers around fragmented bank journeys



Put simply, SMEs are building their own operations layer because the bank journey does not work end to end. For many SMEs, cross-border payments are managed through an unofficial operating layer built outside the bank. Spreadsheets, screenshots, shared folders, manual portal entry, duplicate checks, approval chains, and follow-up emails fill the gaps between what the business needs to do and what the payment infrastructure actually makes easy. What looks from the outside like a simple transfer is, inside the company, often a control-heavy operating process. We refer to this unofficial operating layer as Shadow Infrastructure.

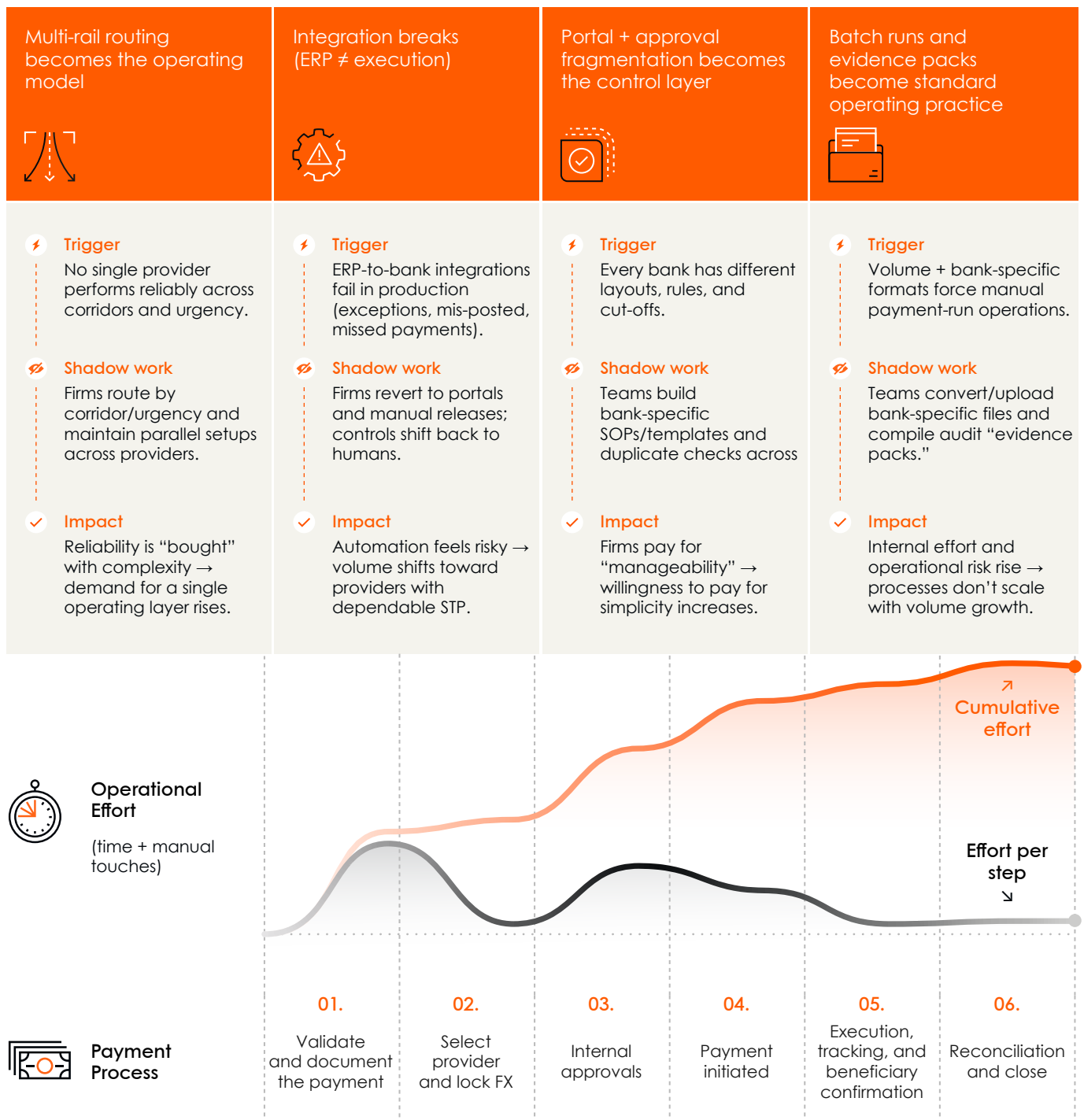
This shadow infrastructure exists because cross-border payments rarely behave like a single seamless workflow. Firms describe having to re-enter payment data into portals, validate beneficiary details manually, prepare and resubmit supporting documents, coordinate approvals across teams, and chase status when “sent” does not mean “credited.” In practice, fragmented systems push coordination back onto the SME.

That hidden work absorbs time, increases error risk, and changes provider choice. When payments require investigation, the burden expands across teams and can take days to resolve. As a result, businesses start valuing manageability, resilience, and visibility alongside price. Shadow infrastructure is not just friction at the edges. It is one of the ways poor cross-border experience motivates changing providers.



This figure illustrates recurring shadow-infrastructure patterns observed in Latin America — showing how operational effort builds across the payment journey as firms compensate for fragmented workflows, weak integrations, and inconsistent visibility.

How shadow infrastructure builds across the payment journey



Illustrative patterns based on qualitative interviews. Curves are conceptual (not to scale) and represent relative operational effort across the journey; intensity varies by corridor, bank, payment type, and documentation requirements.



Shadow Infrastructure by market: different triggers, same manual burden



Across Mexico, Brazil, and Colombia, shadow infrastructure takes different forms – but the pattern is the same: when cross-border payments are fragmented, SMEs build their own operating layer around them.

Mexico. Resilience-driven multi-banking

Trigger

Payments often fail during the user journey on payment providers' platforms because of cutoffs, timing issues, or system availability.

Shadow work

Firms route by corridor and urgency, keep multiple providers live, set up beneficiaries manually, and fall back to portals when integrations fail.

Operational effect

Rework grows, controls stay manual, and even small data errors can pull in local teams and shared services.

Commercial meaning

Reliability is bought through complexity, making cross-border volume easier to split away from the primary bank.

Colombia. Compliance becomes an internal function

Trigger

Reporting and documentation requirements make cross-border execution especially control-heavy.

Shadow work

Teams act as their own control function, replicate rails, and build processes to reduce compliance and FX uncertainty.

Operational effect

Cross-border starts to resemble a private payments operation rather than a simple bank service.

Commercial meaning

Providers that offer predictability, visibility, and control become more attractive as operating partners.

Brazil. Oversight outside the bank

Trigger

Payments can fail without notification, and visibility is too weak to manage exceptions effectively.

Shadow work

Firms build supplier templates, standard forms, escalation processes, and early-payment buffers to create room for fixes.

Operational effect

One importer described four teams and eight to twelve people touching 20 to 30 payments a month; "investigation" becomes routine, not exceptional.

Commercial meaning

Dependable execution and clearer exception handling become valuable enough for urgent flows to move first.

Takeaways

Shadow infrastructure is not just friction at the edge of the payment journey. In many firms, it becomes the real operating system for managing cross-border payments. Once businesses start paying for manageability, resilience, and legibility outside the bank, volume becomes more contestable.

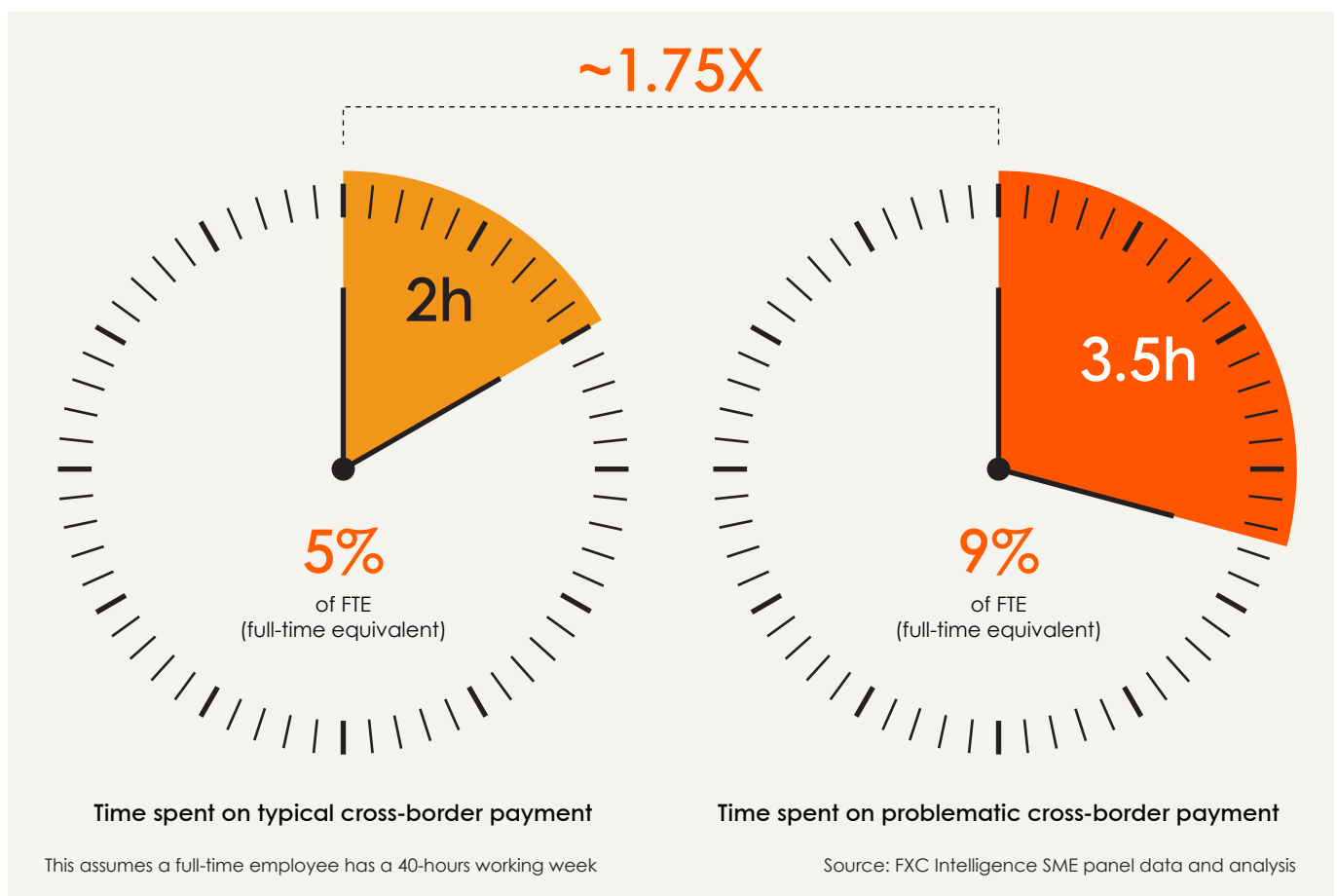


The cost of hidden work: manual effort consumes capacity and raises provider-change risk

The time burden matters because it captures something fees alone do not: how much internal effort a payment consumes. A routine cross-border transfer already draws on multiple roles, approvals, and checks. When a payment requires investigation, that burden expands into status chasing, repair work, supplier management, and internal escalation. The cost is not just labor time. It is disrupted workflow and management attention pulled away from planning, sourcing, and cash management. Across our SME panel, firms report around **2 hours** for a typical payment and about **3.5 hours** when a payment becomes problematic.⁴ On a 40 hour work week, that amounts to roughly 5% and 9% of a full-time employee's weekly capacity, turning what looks like a small operational task into a meaningful drain on internal resources.

So what: once SMEs have to build their own operating layer around bank payments, they start valuing providers that reduce work, errors and escalation, even if those providers are not their primary bank.

Time spent on cross-border payment



⁴"Typical" and "problematic" refer to SME internal handling time, not bank settlement time.





The Uncertainty Tax: uncertainty turns payments into working-capital and supplier risk

The most damaging cost in SME cross-border is often not the fee itself. It is the operational burden of not knowing. When businesses cannot answer basic questions about when funds will arrive, how much will land, and what the all-in cost will be, they are forced to manage around uncertainty rather than through it. We refer to this as the Uncertainty Tax.

Across our SME panel, this uncertainty is both common and consequential. Around **55%** reported instances where the landed amount did not cover the full invoice value. **51%** said they pay suppliers early or prepay because published cutoffs and D+N timelines are not reliable enough to protect supplier due dates. And **75%** said arrival uncertainty has directly affected working capital by forcing them to hold extra balances, overfund, manage trapped funds, or build buffers to reduce reconciliation risk.



“If there is an error, the bank doesn’t tell me. It just doesn’t pay my supplier.”

Operation Manager, mid-sized
Brazilian importer

This uncertainty is not just perceptual. Mastercard’s 2025 report also found long delay tails and failed payments across several corridors.

This is why uncertainty behaves like a tax. It triggers defensive behavior before it triggers changing providers. Firms pay early, top up, reassure suppliers, chase status, and escalate internally because the payment journey itself does not provide enough certainty. The cost shows up in working-capital pressure, supplier friction, reputational risk, and staff time pulled into exception handling rather than execution.

Over time, this changes provider choice. Many firms will accept a worse spread if the outcome is predictable, payment progress is visible, and the process is legible. This is consistent with Mastercard’s January 2026 global research of 1,100 SMEs and mid-market firms across 11 markets, which found that trust (35%), speed (34%), and transparency (28%) rank ahead of cost in provider selection. In that sense, uncertainty does not simply make cross-border payments harder to manage. It changes what “better” means.



Where uncertainty enters the payment journey



Payment Process

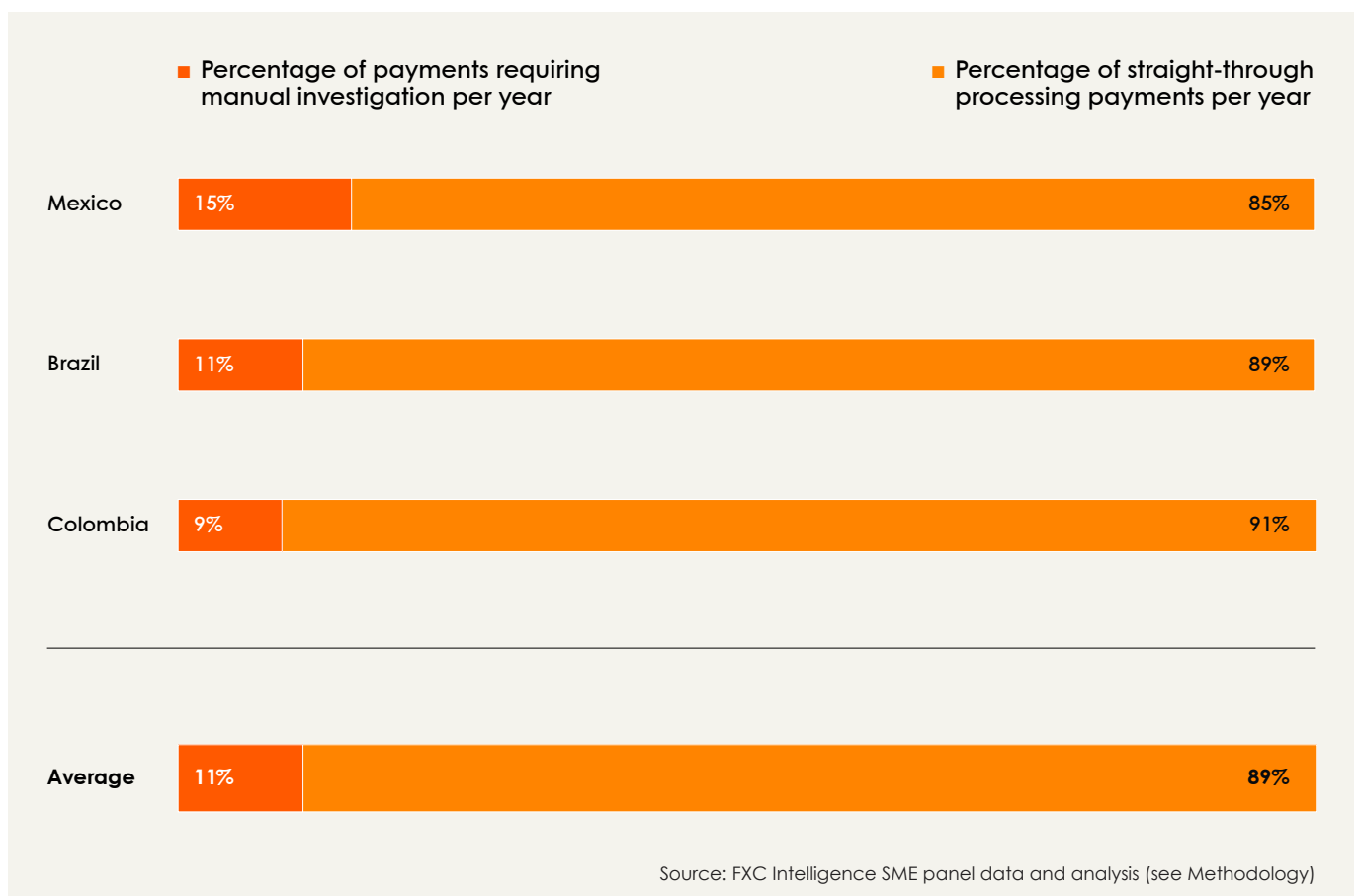


Exception payments: where uncertainty becomes operational risk

A minority of payments can create a majority of the pain. Roughly one in nine (11%) of cross-border payments require manual investigation: status chasing, fixing errors, resolving delays, and managing exceptions. These are the payments that trigger supplier escalations, internal firefighting, and trial behavior toward alternative providers.

An exception rate in the low teens may sound manageable in aggregate. Operationally, it is not. Each problematic payment can pull multiple roles into rework, documentation, supplier management, and repair. These are the moments when trust is most fragile, and when cross-border performance becomes easiest to compare.

Processing payments



The Uncertainty Tax by market: buffers, follow-up and provider testing



Across Mexico, Brazil, and Colombia, the uncertainty tax takes different forms, but the pattern is the same: when timing, landed amount, or payment progress cannot be trusted, SMEs compensate with buffers, follow-up, and provider diversification.

Mexico. "Approved and released" is not the same as settled

Uncertainty gap

The team believes a payment has been approved and released, but later learns the transfer is not reflected in the bank system.

What happens

Small mismatches – down to cents, decimals, or unit inconsistencies – trigger rejection and rework; late charges or tariff-related changes create customs mismatches.

Business consequence

Delays stretch from days into weeks, goods stall at the border, expedited freight costs rise, and production risk increases when critical inputs are held up.

What wins

Predictable timing and landed amount matter more because supplier confirmation calls become the only reliable status check.

Colombia. "Did it leave?" is not the real question

Uncertainty gap

The payment may have left, but the firm still cannot confidently understand what is happening after execution, what is expected to land, or what deductions were taken along the way.

What happens

FX moves, small intermediary charges remain invisible at initiation, and settlement timing varies enough that repeated follow-up becomes normal.

Business consequence

The burden reaches beyond treasury into supplier confidence, budgeting, internal close processes, and management credibility.

What wins

Payment visibility after initiation becomes decisive. In this market, the key question is not "did it leave?" but "what happened after execution, and what is expected to land?"

Brazil. "Sent" is not enough

Uncertainty gap

The payment appears to have reached the beneficiary bank, but corridor-specific fees, withholding, or status gaps mean the team still cannot trust what "sent" really means.

What happens

A payment can trigger a two-week investigation; a purchase approved at **\$30,000** can end up costing **\$35,000** once taxes, bank costs, and fees emerge; confirmation alone can take **48 hours**, while end-to-end completion can stretch to almost **two weeks**.

Business consequence

Teams send whatever payment evidence they have and wait for the supplier either to confirm receipt or complain, turning traceability gaps into supplier risk.

What wins

Predictability beats the best rate when supplier trust is on the line.

Takeaways

So what: when SMEs cannot trust timing or landed amount, predictability becomes more valuable than headline price.

The uncertainty tax is not a narrow treasury issue. It reaches customs, production continuity, discount capture, supplier confidence, and management credibility. The more often firms must manage that uncertainty on their own, the more likely they are to move cross-border flows toward providers that make outcomes easier to trust.





Principality Risk: banks can remain primary while cross-border share leaks away

SME panel



90%

would consider changing cross-border payment providers



and move **~70%**

of cross-border volume



95%

would consider moving other services within 12 months

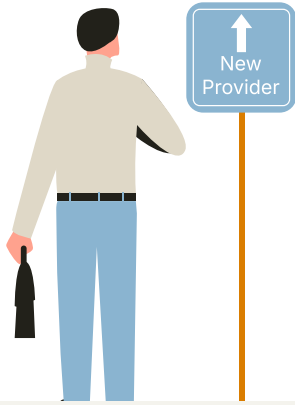
Cross-border is often the first product to move because it is easier to unbundle than other core banking products. Dissatisfaction becomes visible here first. That does not mean SMEs automatically abandon their principal bank. In many cases, credit access, collections, payroll, and domestic reach keep the core relationship in place. But cross-border can still leak away even while formal principality appears intact; in other words, the bank still appears to be the primary provider while wallet share quietly leaks elsewhere.

The interviews suggest that this risk is already visible. In our SME panel, **90%** said they would consider changing cross-border payment providers. Among those open to changing, the average volume they would consider moving was around **70%** of their cross-border payments. Even where firms describe a principal bank, a meaningful share of cross-border volume is already routed through non-principal providers. Among SMEs willing to move cross-border, **95%** said they would consider moving other banking services within the next 12 months.

Mastercard's January 2026 global research suggests this is not a Latin America-only pattern: banks remain the primary cross-border provider for 42% of firms, but fintechs already serve 30%, are expected to grow further, and score higher on NPS (+49 versus +37 for traditional banks).

This should be understood as **wallet-share erosion risk**, not inevitable full-client loss. The strategic concern is that poor cross-border execution creates a recurring leakage channel. Over time, the provider trusted for the most operationally sensitive international flows can become the one the business prefers to consolidate around. Where banks defend credit and domestic network position but fall behind on cross-border experience, they may remain primary in formal terms while still losing economically meaningful share in practice.





Principality Risk by market: leakage starts through different behaviors

Principality risk rarely begins with a dramatic provider change. More often, it starts with small reallocations that become habits: an urgent corridor routed elsewhere, a supplier paid through a specialist for predictability, or a firm keeping its main bank while using a second provider for cross-border confidence. Over time, those habits can turn quiet diversification into structural wallet-share erosion.

Mexico. Resilience becomes split-flow behavior

Trigger

Downtime, limited traceability, and narrow processing windows make dependence on one bank feel risky.

What firms do

Keep multiple providers live and route urgent or high-stakes payments through whichever rail offers the best chance of predictable execution.

What moves first

Time-sensitive corridors and high-consequence supplier payments.

Commercial meaning

Once resilience is managed across several providers, the principal bank stops being the default home for cross-border volume.

Colombia. Optionality before exit

Trigger

Worsening traceability, corridor performance, or functional gaps increase operational risk even when the main banking relationship remains in place.

What firms do

Build flexible treasury structures, such as a U.S. entity and U.S. account as the cross-border hub, while local banks act as spokes for payroll and day-to-day spend.

What moves first

Evaluation, optional routing, and treasury concentration decisions rather than an immediate full change to a new provider.

Commercial meaning

If a provider offers stronger credit, treasury tooling, or multi-country capability, cross-border can move first and broader treasury share can follow.

Brazil. Convenience beats loyalty

Trigger

Cross-border experience is easier to compare, and the provider that is easiest to use often wins even when pricing is worse.

What firms do

Keep domestic flows and credit with a main bank, but route part of cross-border elsewhere; in one relationship, **15% to 25%** of cross-border payments sat outside the primary bank even while **75% to 85%** remained with it.

What moves first

Urgent and experience-sensitive international flows.

Commercial meaning

Loyalty in cross-border becomes convenience-based, not institution-based. The provider that feels easier to operate with starts taking share.

Takeaways

So what: banks may remain primary in name while losing meaningful cross-border share.

These examples do not show wholesale abandonment of banking relationships. They show something more commercially important: once businesses learn that cross-border can be modularized, principality becomes easier to erode at the edges. That is where principality risk begins in practice.



Cross-border vs core banking: international flows are easier to unbundle

Many SMEs remain anchored to a principal bank for credit, deposits, payroll, and collections. Cross-border is different: it is more modular, more experience-sensitive, and easier to reallocate corridor by corridor. That means a bank can remain “primary” in formal terms while still losing meaningful cross-border share in practice.

The strategic risk is therefore not immediate full-client loss. It is quiet leakage in a product set that often shapes how broader treasury relationships evolve. Where cross-border experiences remain opaque, exception-heavy, or operationally burdensome, SMEs can keep the core relationship intact while steadily shifting the most experience-sensitive flows elsewhere.



Principality Risk Model: sizing the revenue exposed by cross-border leakage

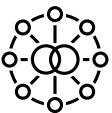
The Principality Risk Model accompanies this whitepaper as a practical tool, grounded in the paper's SME interview research, to make this risk tangible (see Appendix). It translates experience failure into a commercial planning input by estimating the direct cross-border payment and FX revenue exposed when SMEs shift international volume elsewhere, while also highlighting where broader relationship exposure may follow if dissatisfaction persists. This is consistent with the paper's own market-sizing logic, which frames even a 1% share shift as meaningful revenue movement. This is why even modest share shifts matter: the paper's market sizing shows that small changes in routing behavior can translate into meaningful payment and FX revenue leakage.

The value of the model is not precision for its own sake. It is to help banks treat cross-border experience as something measurable and actionable: a source of revenue defense, operating efficiency, and relationship stability rather than a niche service issue.





Modernizing cross-border execution: reduce exceptions, opacity and manual work



How banks can modernize cross-border execution

- API-based connectivity + local payout access
- End-to-end tracking + payment progress visibility
- Validation and account-verification services + beneficiary notifications
- Standardized orchestration + fewer fragmented handoffs
- Clear fee, FX, and net-amount signalling
- Near real-time execution in supported corridors
- Fewer intermediaries + better exception handling
- Broad network coverage + scalable endpoints

The interviews point to a clear shift in buying logic: for many SMEs, cross-border decisions are moving from **price-first to predictability-first**. For banks and payment providers, that changes the competitive test. Winning no longer depends only on quoting competitively. It depends on offering an experience that is visible, resilient, and operationally light enough for firms to consolidate around.

Across the interviews, the desired future state is consistent: predictable settlement windows, end-to-end tracking, clearer status updates, simpler initiation, more transparent landed amounts, and faster exception resolution. These are not abstract product features. They are the practical conditions under which SMEs stop building so much operational scaffolding around cross-border payments.

That aligns with Mastercard's January 2026 global research, which found that payment tracking (43%) and fraud detection (42%) are the value-added services firms want most.

This is where banks and payment providers need a simpler modernization path. Mastercard Move can help banks and payment providers move toward this future state by supporting API-based connectivity, local payout access, validation and account-verification services, beneficiary notifications, clearer payment visibility, and more predictable execution in supported corridors. The value is not simply faster money movement; it is lower operational effort, fewer exceptions, clearer net-amount signalling, and stronger defense of SME cross-border wallet share.



What SMEs need – what banks must deliver – where Mastercard can enable

What SMEs need	What banks must deliver	Where Mastercard can enable
Predictability over price Confidence in when a payment will land and how much will be received.	Consistent settlement windows and clearer outcomes Fewer cutoffs, fewer “in transit” unknowns, and more predictable delivery expectations by corridor.	API-based connectivity + local payout access Infrastructure that supports local prefunding, local payout access, and stronger end-to-end confirmation across corridors, reducing timing uncertainty.
Control and visibility Status certainty, traceability, and the ability to manage exceptions without constant chasing.	Trackable payment journey More transparent statuses and clearer proof of beneficiary receipt (or actionable exception signals).	End-to-end tracking + beneficiary-receipt visibility Infrastructure that supports end-to-end tracking, clearer status milestones, and stronger proof of beneficiary receipt so banks can provide a more “domestic-like” cross-border experience.
Reduced operational workload Less manual re-keying, fewer portal workflows, fewer “shadow” controls.	Simplified initiation and standardization Fewer fragmented portals and formats; easier initiation, approvals, and reconciliation.	API-based connectivity + standardized orchestration Enablers that help banks provide a more consistent cross-border entry point, reduce portal fragmentation, and simplify initiation and reconciliation without replacing core systems.
Fewer landed-amount surprises Better clarity on fees, deductions, and net beneficiary amounts.	More transparent cost and net-amount signals Clearer disclosures and better predictability of all-in cost outcomes by corridor/provider path.	Clearer fee, FX, and net-amount signalling Capabilities that support clearer fee, FX, and expected net-amount visibility at initiation, helping reduce unexpected deductions and supplier disputes.
Reliability that protects relationships Payments that don't threaten supplier trust, shipments, or production continuity.	Operational resilience and faster exception resolution Clear escalation paths, fewer failures, and faster resolution when issues occur.	Fewer intermediaries + better orchestration Infrastructure that helps banks reduce failure points, improve exception handling, and increase visibility by simplifying the path a payment takes across corridors.
A trusted platform, not a utility A provider that can scale with growth and complexity.	An experience worth consolidating around Reliable execution and predictable outcomes that keep wallet share anchored at the bank.	Broad network coverage + scalable endpoints Helping banks modernize cross-border experience through scalable network reach, multiple payout endpoints, and a platform that can grow with SME complexity before migration becomes structural.





Final Thoughts: cross-border experience is now a relationship-defense issue

The core message of this research is straightforward. For SMEs in Latin America, cross-border payments still create too much work and too much uncertainty. What should function as a business enabler too often behaves like an operating risk. Firms compensate by adding manual controls, funding buffers and routing high-risk payments through providers they trust more.

The desired future state is not complicated. SMEs want cross-border journeys that feel more like domestic payments: fewer touchpoints, clearer status updates and payment visibility, more predictable outcomes, and faster exception resolution. The goal is not speed for its own sake. It is to eliminate avoidable work and reduce the uncertainty that currently forces firms to build their own control systems around international payments.

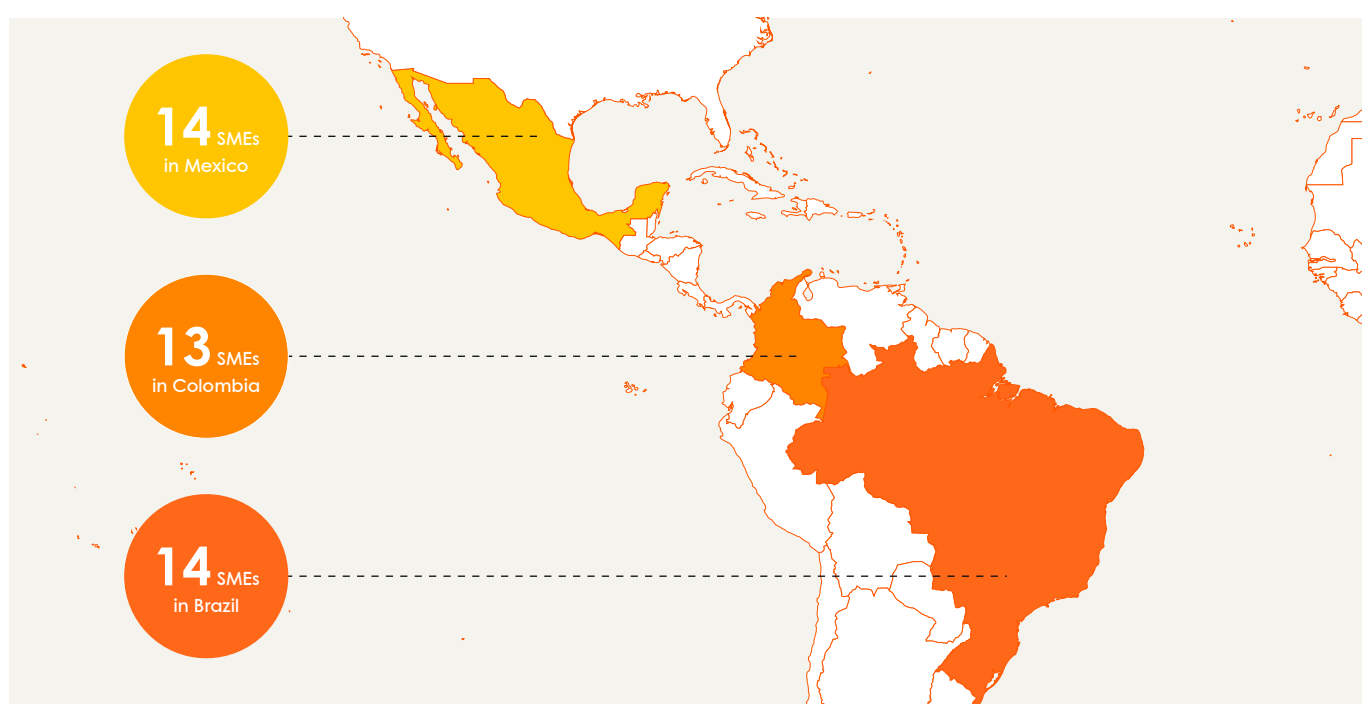
For banks, this makes cross-border execution a relationship-defense issue. It is one of the clearest tests of whether an institution can defend wallet share, reduce service friction, and remain the partner SMEs trust as their international needs grow. The institutions that win in SME cross-border will not simply move money faster. They will remove the work, opacity, and exception burden that make growth harder for the businesses they serve. Banks and payment providers must modernize to defend wallet share and deepen relationships.



Methodology

This report draws on structured qualitative research with SMEs in Mexico, Brazil, and Colombia, focused on how cross-border payments are executed in practice and where friction arises across the end-to-end workflow. The objective of the study was not only to identify pain points in pricing, speed, and compliance, but also to understand how those frictions translate into internal workload, supplier risk, provider choice, and broader commercial consequences for the enterprise.

Where Mastercard's 2025 examination of cross-border payments in Latin America quantified cross-border friction through live transaction testing, this edition focuses on how those frictions are experienced operationally inside medium-sized enterprises.



The research was designed as a multi-stakeholder interview program. Interviews covered roles involved in initiating, approving, executing, monitoring, and resolving cross-border payments, including CEO, CFO, Treasury, Finance, Compliance, Procurement, Operations, and Supply Chain Management. This approach was intended to capture the full internal journey of a payment rather than a single functional perspective.

How to read the numbers

A sample of n=41 interviews was completed across the three markets. Unless otherwise stated, metrics cited in the report are directional and based on SME self-report. SME panel percentages are used to highlight recurring patterns and relationship-risk signals across business-side effort, exception handling, and expectations for better service, rather than to serve as audited operational benchmarks.



Interview framework

The interview guide was revised specifically to support the report's three core narrative pillars:

- Shadow Infrastructure
- Uncertainty Tax
- Principality Risk

To support consistent analysis, interview evidence was also mapped across seven underlying themes:

- Cost and FX transparency
- Speed and settlement delays
- Compliance and documentation burden
- Internal UX and operational processes
- Adoption of alternative providers
- Client principality
- Strategic pain points

This structure enabled the study to move from individual payment stories to comparable cross-market themes.

Payment journey mapping

A core part of the methodology was end-to-end payment journey mapping. Respondents were asked to walk through a typical international payment from invoice receipt to supplier confirmation and reconciliation. The discussion covered invoice intake, data capture and validation, internal approvals, compliance and documentation, FX quote or booking, payment initiation, tracking and exception handling, and confirmation of payment status and reconciliation.

At each step, interviews probed for the most manual activity, the main sources of error or rework, and the handoffs between teams. This allowed the research to identify where operational friction sits inside the SME, not just where the bank transfer itself may stall.



Invisible cost and workload estimation

In addition to narrative evidence, interviews gathered directional estimates of internal workload. Respondents were asked how many people typically touch a cross-border payment, how much time is spent on data entry, approvals, compliance, tracking, and reconciliation, and how often payments require active chasing, rework, or investigation.

Throughout the report, "typical payment" refers to the total internal handling time across functions within the SME, not bank processing time. "Problematic payment" refers to an exception requiring investigation, rework, or status-chasing rather than a standard transfer moving through the normal process. These definitions are used to distinguish the business-side operating burden from payment-rail performance itself.

Provider choice and principality

The research also examined how firms choose among banks, fintechs, and other providers for cross-border payments. Interviews explored which institution is the primary bank, which provider is preferred for cross-border use cases, why firms split volume across providers, what triggers trying new providers, and what would make respondents comfortable centralizing more cross-border volume or broader banking activity with a single provider.

This part of the methodology was designed to assess not only service dissatisfaction, but also the relationship implications for incumbent banks when cross-border performance falls behind client expectations.



Analysis and synthesis

Interview material was reviewed and synthesized at three levels: by individual company journey, by stakeholder role, and by country and theme. Illustrative narratives and country-level synthesis were developed from the multi-stakeholder accounts to show how payment friction unfolds operationally and what consequences it creates for liquidity, supplier relationships, internal workload, and management attention.

Insight summaries in the report reflect recurring patterns observed across interviews. Where a point reflects a single company's experience rather than a broader pattern, it is presented as an illustrative example rather than a market-wide conclusion.

Important notes on interpretation

This study is qualitative and directional in nature. It is designed to surface the lived experience of SMEs and the operational realities that sit behind payment complaints. It should not be read as a statistically representative measurement of all SMEs in Latin America, nor as a direct audit of bank-side processing performance. Rather, it provides structured evidence of how SMEs experience cost opacity, delays, compliance friction, manual workarounds, and provider fragmentation in day-to-day cross-border payments.



Appendix: Principality Risk Model

To estimate the potential commercial impact of poor cross-border payment experience, Mastercard developed a Principality Risk Model. This model provides a directional framework for estimating the revenue at risk when SMEs shift cross-border payment and FX activity away from their core banking provider. It is intended as a planning tool, helping financial institutions size potential exposure across both cross-border revenues and the wider client relationship.

Model inputs and structure

The model combines bank data and directional assumptions, including:

- Annual cross-border payment volume
- The bank's current share of the client's cross-border wallet
- Estimated annual revenue from cross-border payments and FX
- Estimated annual revenue from the wider client relationship
- Expected share of cross-border wallet that may move if the client changes provider
- Expected spillover into the wider relationship if dissatisfaction persists
- A propensity score to reflect the likelihood and degree of migration

Outputs and interpretation

The model estimates:

1. Expected cross-border volume at risk
2. Expected cross-border revenue at risk
3. Expected non-cross-border spillover revenue at risk
4. Total estimated revenue at risk

The model is directional and should be used as a commercial planning tool rather than a precise forecast. It is intended to help identify where cross-border friction may create broader relationship risk and where improvements in speed, transparency, and user experience may have the greatest commercial value.

For access to the Principality Risk Model template and supporting assumptions, please contact the authors of this report



About Mastercard Move and FXC Intelligence



Mastercard Move

Mastercard Move is part of Mastercard's portfolio of global money movement capabilities. It enables banks, corporates, non-bank financial institutions, digital players, and governments—and their customers—to send and receive funds domestically and across borders, across payment types.

Built on Mastercard's trusted card and non-card networks, Mastercard Move delivers fast, secure, and transparent payment experiences, helping customers move money with confidence and unlock greater value at scale.



FXC Intelligence

FXC Intelligence has spent the last decade developing datasets in the fiat and digital asset market and works with many of the industry's leading players, placing it in a unique position to provide clarity about the industry. A core part of this advantage is FXC's direct relationships with industry participants, including providers, banks and platforms, which give us access to pricing and transaction data that is not available through public sources alone.

With coverage of over 250 players worldwide, including unique access to data we receive directly from participants in the industry, and historical intelligence comprising pricing and transaction speeds across more than 17,000 corridors in 175+ countries, FXC is distinctly placed to assess the cross-border payments market at large.

FXC also provides the underlying data for the two main global indices in the cross-border sector: the Financial Stability Board's KPIs for the G20 Roadmap for Enhancing Cross-border Payments and the World Bank's Remittance Pricing Worldwide.



Legal Notice

Wherever possible, FXC has verified the accuracy of information provided by third parties but does not under any circumstances accept responsibility for such inaccuracies should they remain unverified. It is expected that the readers of this report will use the information provided in this report in conjunction with other information and with sound management practices. FXC therefore will not assume responsibility for commercial loss due to business decisions made based on the use or non-use of the information provided.

Contact Us



Matias Medina
Head of Business Development LAC
Mastercard Move
Matias.Medina@mastercard.com



Ian Manns
VP Global Indices
FXC Intelligence
ian@fxcintel.com

