



THE LEVEL ONE PROJECT

L1P Design Note Standardized Disclosures for FX



Transparent & Standardized Disclosures

The Level One Project supports the use of a transparent and standardized methodology for disclosing fees in simple, easy to understand terms. This Spotlight recommends how to disclose the cost of all cross-border transactions to end users.

Total transaction costs are often defined as all relevant charges, including sending and receiving fees, fees to any intermediary and currency conversion costs. While the G20 focus on lowering the cost of remittances has resulted in almost all remittance providers providing a breakdown of total fees and currency conversion costs ([FSB 2024](#)), comparing options is not easy. This is because users must perform their own investigations to fully understand the cost structure as providers are free to market as they choose, often using deceptive terms like “zero fee” when, in fact, a higher FX rate hides the fee, making it less beneficial to the consumer.

An illustration of a transparent and comparable standardized disclosure for *all* cross-border payments (not just remittances) would list the elements shown on the next page in “Imagining a Standardized Disclosure”; the Scheme rules will define the calculations.

Key to enabling a true comparison is using the same underlying FX rate (i.e., a common interbank rate issued by the central bank, other governmental entity, or a standard like Reuters Reference Rate) before adding a unique mark up or spread.

This will require alignment on both terminology and methodology – neither of which exists today. Where a benchmark or reference rate does not yet exist, It will need to be created.

Regulators and the Scheme should guide DFSPs to target a Total Cost (%) for each transaction that is within the G20 target of 1% for retail payments and 3% for remittances. This guidance does not tell DFSPs what to charge but rather orients the market competitively, toward an inclusive policy objective. Attaining these goals is especially important for payments made by low-income individuals and micro-small businesses.



Imagining a Standardized Disclosure

Using a shared cost disclosure methodology for all cross-border transfers, DFSPs should display the total cost of FX transaction as a single value—this value includes all fees, levies, taxes, and FX markup—to the payer prior to the payer confirming the transfer.

We present here a sample illustration of the disclosure. **The illustration shows the components required for a disclosure.** While all components are required to provide a transparent disclosure, we recognize that local market context may influence end user preferences for how the components are presented (which may lead to an illustration other than the one shown here). The exact illustration selected should prioritize end user ease of understanding the total cost of their transaction and enable easy comparison of total cost across providers.

We invite the ecosystem to test end user preferences in order to contextualize the best visual representations of the data that meet users where they are and consider local context, including language and education levels.

Your Transaction Breakdown	
Amount Sent	[amount in sending currency]
Transaction Fees	[amount in sending currency]
Levies and Taxes	[amount in sending currency]
*FX Rate Applied	[value]
Amount Received	[amount in receiving currency]
*Benchmark FX rate	[value]
Total Transaction Cost	[amount in sending currency]
	[percentage of amount sent]

*Shown as “1 unit of sending currency = x units of receiving currency”. For example, in the case of Zambian Kwacha (ZK) as sending currency and Malawian Kwacha as the receiving currency, the FX rate applied, and benchmark FX rate should be expressed as “1 ZK = 74.3700 MK”.



Calculating the Recommended Disclosure

The basics of the calculations are shown below. For full details on the different inputs and a working model, see the accompanying Excel spreadsheet in the L1P Reference Library. The examples shown are for illustration purposes. Actual disclosure of the Transparent Terms is expected to be in digital form.

A	B	C	D	E	F	G	H	I
Amount Sent (in SENDING currency)	Fees Applied (in SENDING currency)	Levies & Taxes (in SENDING currency)	Foreign Exchange Rate Applied	Benchmark / Reference Rate	FX Markup or Spread on Benchmark Rate*	Amount Received (in RECEIVING currency)	Total Cost (in SENDING currency)	Total Cost (% of Amount Sent)
				X	E – D	A * D	(A + B + C) – (G ÷ E)	H / A

This disclosure calculation methodology shows the post-conversion effect of sending an amount of currency (A), with additional fees and taxes (B + C), at a retail FX rate (D) by applying the benchmark rate (E) to the Amount Received (G). Total Cost (H) of the transaction in *sending* currency value is the Amount Sent (A), Fees Applied (B), and Levies & Taxes (C) net of the Amount Received (G) at the Benchmark Rate (E). Column I shows this Total Cost (H) in *sending* currency as a percentage of the Amount Sent (A).

The Amount Sent (A) is the amount the sender wishes to transfer, and it is net of Fees Applied (B) and Levies & Taxes (C). The sum of A, B, and C is the total billing amount to the sender for the transaction.

*The FX Markup (F), is optional and not used in calculations. It is not shown on the suggested disclosure, though it can be included by a Scheme for additional transparency.

As these calculations are derived from DFSP quotations, they do not dictate or specify rates to FX Providers. Each FX Provider may individually set and apply their own FX Rate and may source their FX currency through any arrangement that supports their business. The disclosure is intended to show the retail effect on the Sender and Receiver in a Scheme-wide consistent way.

Refer to the accompanying Excel file for additional details and examples in calculating the Disclosure.



Example of Standardized Disclosure

Setting: A small trader living in Zambia needs to transfer 100 Zambian Kwacha (ZK) to another small trader in Malawi for goods purchased. She wants to use one of two different digital payment providers that can facilitate the payment.

A clear disclosure of the total cost of the FX transaction as a single value—this value includes all fees, levies, taxes, and FX markup—helps her select the best option.

Provider 1

Higher fees, better FX rate

Your Transaction Breakdown	
Amount Sent	100.00 ZK
Transaction Fees	1.00 ZK
Levies and Taxes	0.50 ZK
*FX Rate Applied	1 ZK = 74.5500 MK
Amount Received	7455.00 MK
*Benchmark FX rate	1 ZK = 75.5500 MK
Total Transaction Cost	2.82 ZK
	2.82%

Provider 2

Lower fees, worse FX rate

Your Transaction Breakdown	
Amount Sent	100.00 ZK
Transaction Fees	0 ZK
Levies and Taxes	0.50 ZK
*FX Rate Applied	1 ZK = 73.5500 MK
Amount Received	7355.00 MK
*Benchmark FX rate	1 ZK = 75.5500 MK
Total Transaction Cost	3.15 ZK
	3.15%

