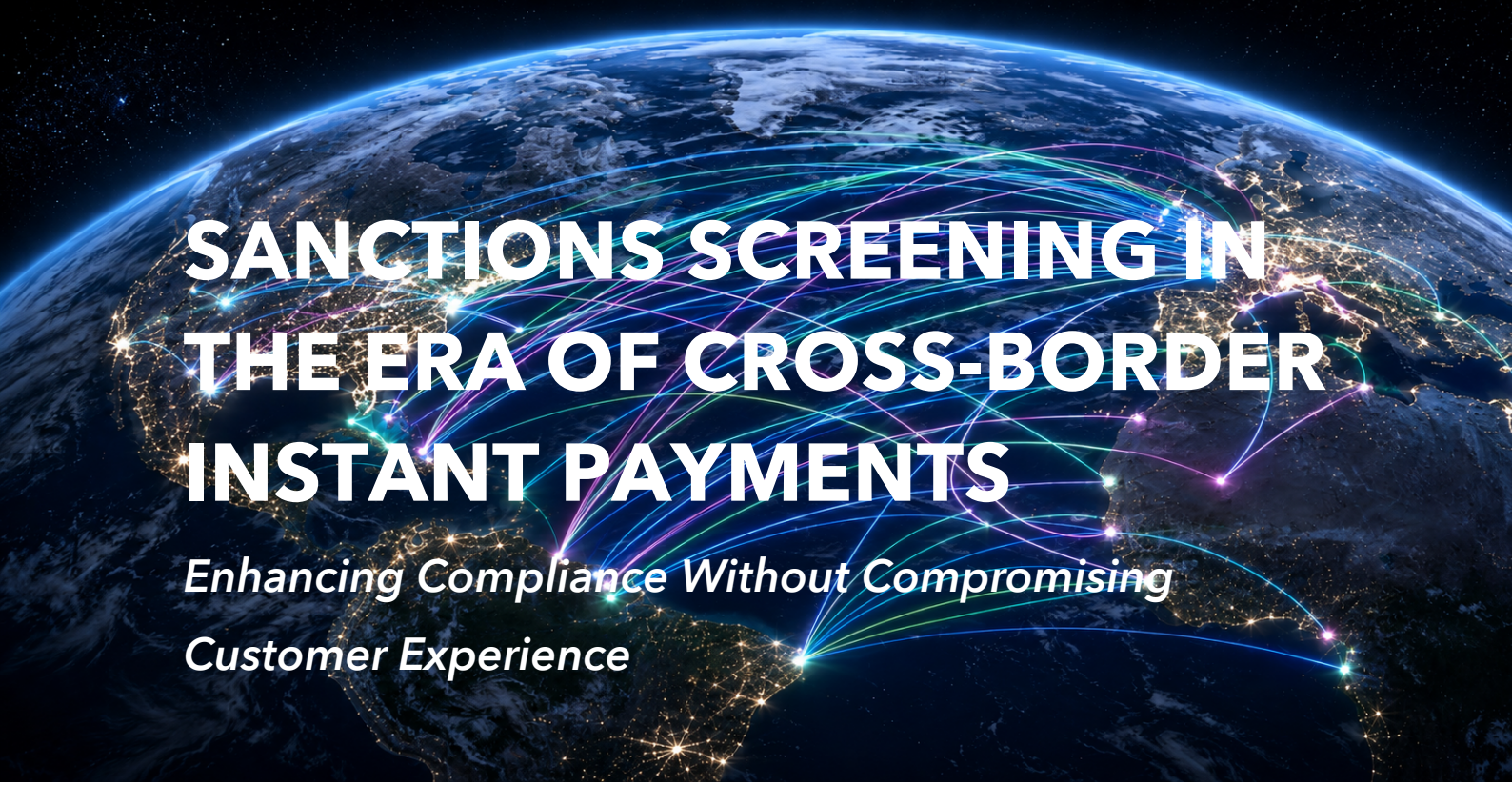

SANCTIONS SCREENING IN THE ERA OF CROSS-BORDER INSTANT PAYMENTS

Enhancing Compliance Without Compromising Customer Experience

"Speed … should not discourage financial institutions from implementing risk-based sanctions compliance controls."

– OFAC, Sanctions Compliance Guidance for Instant Payment Systems, 2022

Cross-border payments have long been measured against the G20's targets for cost, speed, transparency, and accessibility, as set out in the Roadmap for Enhancing Cross-Border Payments. As domestic instant payment infrastructures mature, with more than seventy countries now operating live schemes, they are increasingly viewed as the foundation for delivering similar improvements in cross-border payments.

The evolution of cross-border instant payments is not following a single path. Different regions and payment schemes are pursuing different models, ranging from fully integrated end-to-end instant settlement to approaches that accelerate only the domestic leg of traditional correspondent banking flows. Despite these differences, they share a common direction: payments are becoming faster, increasingly available 24/7/365, and supported by the richer, more structured data enabled by ISO 20022.

For financial institutions, this evolution creates a fundamental challenge. The obligation to comply with applicable sanctions regimes remains unchanged, but the operational

environment has been transformed. Screening processes that were designed for traditional payment timelines must now deliver accurate, explainable and resilient decisions within the highly constrained timeframes of instant payments.

This paper examines the emerging cross-border instant payment landscape and explores what it means for sanctions screening. It considers the technical and operational capabilities required to support real-time compliance, as well as the increasingly important question of how institutions should manage sanctions screening outcomes when a potential match occurs during an instant payment journey.

Instant Payments Are the New Normal

Instant payment systems are no longer emerging infrastructures. More than seventy countries now operate live domestic instant payment schemes, and adoption in terms of volume of transactions has reached a scale that rivals traditional payment rails. India's UPI remains the world's largest instant payment system, processing well over 18 billion transactions per month. Brazil's Pix, launched in 2020, has become one of the world's most widely adopted instant payment systems. According to the Central Bank of Brazil, more than 170 million individuals, representing around 80% of the Brazilian population, have used Pix. The system processed more than 7 billion transactions in January 2026, illustrating both its scale and its central role in the country's retail payments ecosystem.

Domestic instant payments are now a core infrastructure and attention is turning to extending that infrastructure across borders.

In Europe, SEPA Instant Credit Transfers became mandatory to receive across the euro area from January 2025 and mandatory to send from October 2025, with obligations for electronic money and payment institutions extending to April 2027. According to the ECB, instant credit transfers already represented 23% of all retail credit transfers processed by euro area retail payment systems during the first half of 2025. As mandatory participation continues to expand, instant payments are moving rapidly from an optional payment service to a mainstream payment rail.

In the United States, adoption is accelerating across both instant payment networks. The Clearing House's RTP network processed 447 million payments worth US$1.45 trillion in 2025, while the Federal Reserve's FedNow service, launched in 2023, recorded 459% annual transaction growth in 2025 and now connects approximately 1,600 financial institutions nationwide.

Where instant payments were once a domestic convenience, they are now a core infrastructure, and the same schemes, regulators, and institutions driving domestic adoption are now turning their attention to extending that infrastructure across borders.

Two Distinct Cross-Border Ambitions

Cross-border instant payment initiatives fall into two categories that pursue genuinely different goals.

End-to-end instant

The first category aims to make the entire cross-border payment instant, not just a portion of it. The Eurosystem's TIPS and EBA's RT1 platforms are clear examples settling SEPA domestic and cross-border Instant transfers in euro. Moreover, the Eurosystem has progressively extended TIPS to support cross-currency settlement in euro, Swedish krona, and Danish krone between June and October 2025, settling atomically across these currencies in central bank money, with Norway preparing to join.

Project Nexus follows a different path towards the same objective. Rather than creating a shared settlement platform, it standardises technical connectivity, message formats and operating rules, enabling payments to move end to end across the domestic instant payment systems of multiple countries. The initiative currently connects India, Malaysia, the Philippines, Singapore, Thailand and Indonesia, with a formal rulebook and ISO 20022 message specifications designed specifically for cross-border instant payments. Brazil's central bank has expressed a similar ambition for Pix, considering both bilateral connections and a multilateral platform approach such as Nexus, with implementation targeted around 2027. In all these models, the defining characteristic is that both legs of the payment are instant because both rely on infrastructure designed to support real-time settlement.

Improving correspondent banking

The second category does not attempt to make the full payment instant. Instead, it uses instant payment rails to modernise the domestic leg of what remains, structurally, a correspondent banking payment and where, traditionally, the RTGS is used to settle this last domestic leg. For example TIPS OCT Inst and RT1's own one-leg-out service allow a euro-denominated domestic leg to clear instantly, while the international leg continues through ordinary correspondent banking, with its intermediary banks, cut-off times, and multi-day settlement. Faster Payments(UK) also offers a similar service. In the United States, FedNow's April 2026 proposal to permit correspondent-bank intermediaries for the international leg, and The Clearing House's RTP rule change permitting one-leg-out transactions with a foreign bank, follow the same logic..

The value of this model is real but bounded: it replaces the incumbent RTGS-and-cut-off-times experience with 24/7/365 capability at the domestic edge of the payment, without changing the timing or mechanics of the cross-border settlement itself.

The Screening Obligation

Whichever of the above architectures a cross-border instant payment travels through, it must be screened against applicable sanctions regimes. What differs is the mechanism used to meet that obligation.

Outside the European Union, the default mechanism remains transaction screening: each cross-border instant payment is checked against the applicable sanctions lists. This is the model most existing screening infrastructure was built to support, and it applies to one-leg-out corridors, interlinked systems such as Nexus, and any leg touching a non-EU institution.

The European Union has taken a different approach, recognising that conventional transaction screening does not fit easily within a sub-ten-second settlement window. Under the EU Instant Payments Regulation, payment service providers are required to replace transaction-level screening against the EU's own list of designated persons and entities with continuous customer screening. This customer screening must be performed at least daily and immediately following any update to the EU sanctions list. By the time a payment is initiated, both parties should, in principle, already have been screened, allowing the payment itself to proceed without requiring a real-time sanctions decision against the EU list.

This exception is narrower than it may seem. It applies only to EU targeted financial sanctions. Other regimes to which a European institution remains exposed, such as OFAC's SDN list, the UK sanctions list, and other Member State level designations, fall outside the scope of this specific framework, and the Regulation does not prevent or exempt continued transaction screening against them. Institutions operating SEPA Instant corridors may therefore need to adopt two complementary screening approaches for the same payment: continuous, decoupled customer screening for the EU list, and conventional transaction screening for other applicable sanctions regimes.

Technical Requirements for Real-Time Sanctions Screening

The transition to ISO 20022 (on which most Instant Payment systems are based) has already established a demanding set of functional requirements for modern sanctions screening platforms. Richer payment messages require screening engines to analyse significantly more information than traditional payment formats, including structured and unstructured data, multiple parties, contextual information, non-Latin alphabets and additional identifiers. They must also support compound matching across multiple attributes, accommodate evolving message standards and regulatory requirements, and expose their capabilities through modular, API-driven architectures that can evolve independently of the

surrounding payment infrastructure. These requirements are discussed in greater detail in our previous white paper on ISO 20022 compliance[1].

Instant cross-border payments introduce a second, equally important dimension. The challenge is not only to screen richer data more intelligently and achieve higher levels of accuracy, but to do so within the extremely tight processing constraints of real-time payment systems, where accuracy becomes even more critical as payment speeds increase.

This requires additional non-functional capabilities that are fundamental to any real-time screening platform:

Ultra-low latency. Screening must complete within milliseconds and, equally importantly, deliver consistent response times regardless of transaction complexity or system load. Every millisecond consumed by sanctions screening reduces the processing time available for the sending institution (validation, fraud checks and funds reservation), the clearing and settlement infrastructure (message validation, funds earmarking and settlement), and the receiving institution (validation, fraud checks, and either crediting or rejecting the payment).

Horizontal scalability. Instant payment volumes fluctuate continuously throughout the day and can increase dramatically during peak periods. Screening platforms must therefore scale horizontally by adding processing capacity on-demand while maintaining consistent performance and without disrupting service.

Continuous availability and operational resilience. Unlike traditional payment systems, instant payment infrastructures operate 24/7/365. Screening services must therefore provide the same level of continuous availability, including during list updates, software upgrades, infrastructure failures, and capacity expansions. High availability, graceful failover, and fault tolerance must be architectural characteristics, ensuring that compliance controls never become the limiting factor in payment processing.

Taken together, these functional and non-functional requirements fundamentally change the nature of sanctions screening. A modern screening platform must not only understand richer payment data and perform increasingly sophisticated analysis, but must also deliver those capabilities with the speed, scalability and resilience expected of critical real-time payment infrastructure. Institutions that address only one of these dimensions risk limiting either the effectiveness of their compliance controls or the customer experience they seek to deliver.

[1] *Neterium, ISO 20022 Migration and Compliance Implications* (November 2025)

Beyond Detection: Managing Sanctions Screening Outcomes

Before concluding this paper, one important question remains to be addressed: how should a receiving institution manage a sanctions screening match in the context of an instant payment? This is a critical aspect, as the receiving institution must provide an immediate response to the sender, confirming whether the payment has been credited to the beneficiary or rejected. The few seconds available to complete the entire payment lifecycle leave virtually no room for manual investigations and make even AI-assisted first-level alert handling difficult to reconcile with instant payment requirements.

At present, there is no universally agreed approach. Some payment schemes have introduced an exception into their message flows by leveraging the ISO 20022 status code "Accepted Without Posting" (ACWP). Under this model, funds reach the receiving institution, which immediately confirms receipt to the sender, but are not yet credited to the beneficiary, typically because a sanctions alert requires further review. The governance of this exception, however, varies significantly across schemes.

Project Nexus, for example, provides a clear framework for this scenario: an ACWP response must be followed, within a Service Level Agreement defined in the Nexus Scheme Rulebook (currently proposed at two hours), by a further status confirming the payment (ACCC), by blocking the payment as illicit (BLCK) or by returning the funds to the sender if the alert cannot be resolved within the defined timeframe. FedNow and The Clearing House's RTP services also support the ACWP mechanism for their respective one-leg-out models, but neither the Federal Reserve nor TCH currently imposes a scheme-level resolution timeframe.

The SEPA one-leg-out scheme takes a different approach, as it does not support an ACWP response and instead requires an immediate rejection of the payment using a generic regulatory code.

Further alignment will therefore be required to converge towards a common approach and deliver a truly seamless cross-border instant payment experience across different schemes.

Regardless of the model ultimately adopted, one trend is clear: expectations for rapid investigation and resolution, particularly of false positives, will continue to increase. This reinforces the need for a screening solution that minimizes false positives through high very accuracy, and that returns structured, analytics-rich responses rather than a bare hit/no-hit flag. That structure is what allows agentic AI to support fast, reliable, and compliant decision-making within the strict time constraints of instant payments – the shift we examine in our white paper on agentic sanctions screening..[2]

[2] Neterium, *The Future Is Headless: Why the Next Generation of Sanctions Screening Will Be Run by Agents, Not Screens* (2026).

Conclusion

Cross-border instant payments represent a fundamental evolution in the global payments landscape. While different initiatives pursue different models, from fully integrated end-to-end instant settlement to faster domestic legs within correspondent banking flows, they share a common objective: delivering faster, more transparent and more efficient payment experiences. ISO 20022 provides the common foundation for this evolution, enabling richer and more structured payment information.

For sanctions compliance, however, the obligation remains unchanged. Every payment must continue to be assessed against applicable sanctions regimes, but the available decision-making window has been compressed from hours or days to seconds. Compliance controls must therefore operate with the same speed, scalability, resilience and availability expected from the instant payment infrastructure itself.

This requires more than simply faster screening. Modern screening platforms must combine highly efficient matching approaches and advanced data analysis with ultra-low latency processing, operational resilience and actionable intelligence. In an instant payment environment, the objective is no longer only to efficiently detect potential matches, but to provide the evidence, context and analytics required to support trusted decisions in real time, i.e. transforming screening engines into intelligent compliance decision-support platforms.

As cross-border instant payment schemes continue to evolve, further alignment will be needed around the management of sanctions screening outcomes, particularly when a potential match prevents immediate completion of the payment journey. Regardless of the operational model adopted, one trend is clear: the future of sanctions screening will be defined not only by the ability to detect risks efficiently, but by the ability to resolve them quickly, accurately and through explainable decision-making within the ever-shortening time constraints imposed by instant payments.

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