



The Cost of Payments in Small Economies

The Caribbean in Global Systems



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Overview

Payment systems form the foundational infrastructure of modern economic activity. Every international trade transaction, remittance transfer, and cross-border investment relies on financial settlement networks that move value between institutions and jurisdictions.

Large economies operate within deeply integrated financial systems supported by highly liquid currency markets, extensive correspondent banking networks, and domestic payment infrastructure capable of settling transactions rapidly and efficiently.

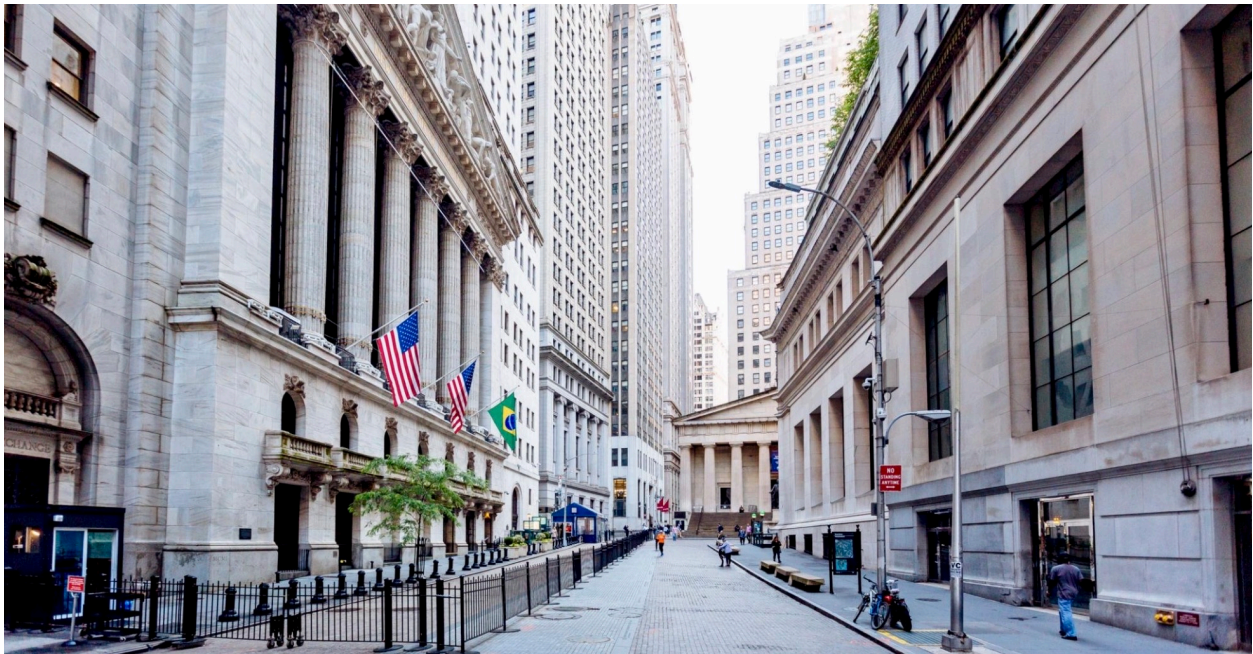
Small economies operate under very different structural conditions. Limited currency liquidity, dependence on foreign banking networks, and fragmented payment infrastructure often result in significantly higher transaction costs. These costs appear through settlement delays, intermediary fees, foreign exchange spreads, and compliance

overhead embedded within cross-border financial flows.

For Caribbean economies in particular, these structural characteristics create persistent financial leakage that reduces the value retained within domestic financial systems.

This briefing examines the economic mechanics behind payment costs in small economies and compares these conditions with payment systems operating in larger financial centers. It also explores how emerging financial infrastructure models may help address structural inefficiencies in global payments while maintaining compatibility with existing financial institutions and monetary systems.

Payment Infrastructure in Large Economies



Large economies operate payment systems supported by deep liquidity and advanced financial infrastructure. Domestic transactions in the United States settle through systems such as Fedwire and automated clearing networks, often completing within seconds or hours.

Cross-border payments from major financial centers benefit from dense correspondent banking networks and highly liquid foreign exchange markets. Currency markets for major currencies such as the U.S. dollar, euro, and British pound operate at enormous scale, with trillions of dollars in daily trading volume.

This high liquidity produces narrow foreign exchange spreads and efficient pricing for currency conversion. Wholesale foreign exchange markets often operate with spreads measured in fractions of a percent, reflecting the depth of trading activity and intense competition among financial institutions.

As a result, international payments originating from major financial centers typically move through well-developed settlement networks with relatively low transaction friction.

Structural Constraints in Small Economies

Small economies operate within a different financial architecture. Many Caribbean countries rely on external correspondent banking relationships to access global financial systems. Domestic banks maintain accounts with larger international financial institutions that process cross-border transactions on their behalf.



When an international transaction occurs, the payment may pass through multiple intermediary institutions before reaching its final destination. Each intermediary introduces potential fees, settlement delays, and compliance costs. This multi-layered structure produces higher transaction costs for international trade payments, remittances, and financial transfers. Foreign exchange spreads represent a significant component of these costs.

In smaller currency markets, limited trading volume reduces liquidity and increases perceived risk among financial institutions. As a result, currency exchange rates offered to customers often include wider margins than those observed in major currency markets. Even when official exchange rates remain stable or fixed through currency pegs, commercial banking transactions may include spreads that reduce the effective value received during currency conversion. Over time, these spreads contribute to substantial financial leakage from smaller economies participating in global financial markets.

Understanding FX Spreads



	BUYING	T/C	SELLING
USD 1-100			
GBP	31.37	31.94	32.55
EUR	52.19	53.28	54.95
HKD	43.15	44.21	45.51
MYR	4.03	0.00	4.29
SGD	8.94	0.00	10.25
CNY	25.00	0.00	25.89
NZD	4.84	0.00	5.57
CHF	26.76	0.00	28.17
DKK	35.83	36.22	37.35
NOK	5.71	0.00	6.08
SEK	5.14	0.00	5.49
CAD	4.81	0.00	5.15
RUB	28.57	28.91	29.67
VND	0.70	0.00	1.12
ZAR	0.0011	0.00	0.0017
	1.92	0.00	4.65

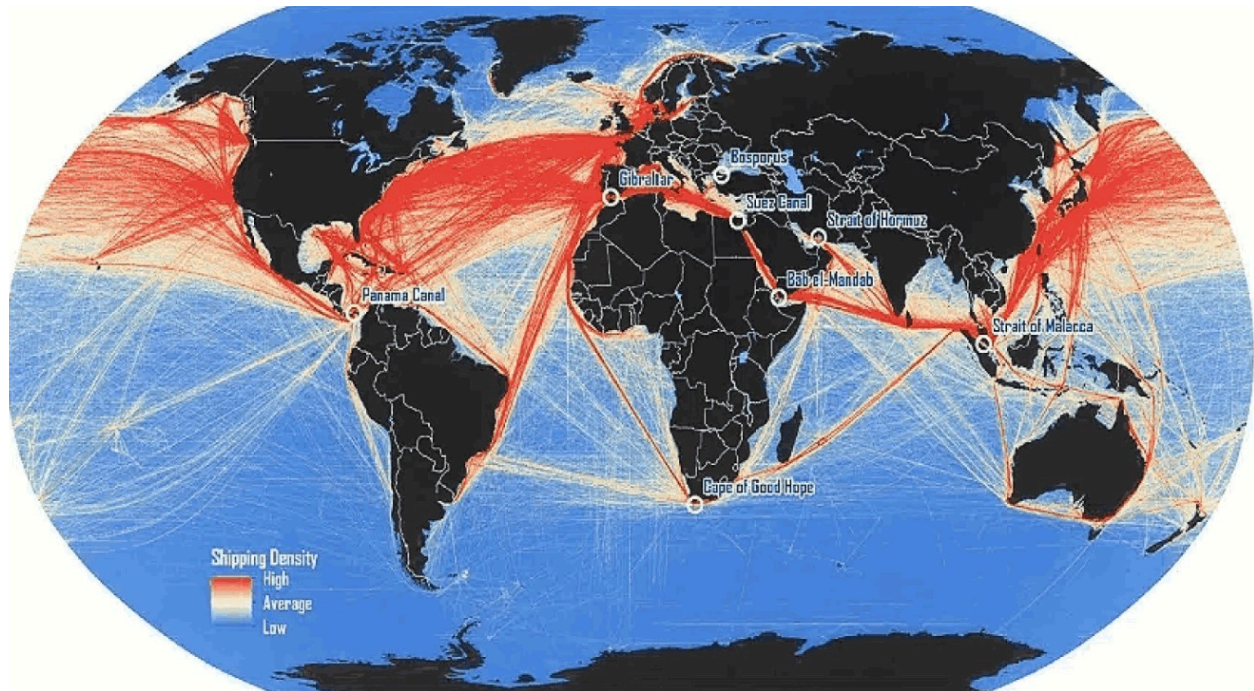
Foreign exchange spreads represent the difference between the price at which a financial institution is willing to buy a currency and the price at which it will sell it. These spreads compensate institutions for market risk, liquidity constraints, operational costs, and currency volatility. However, the size of these spreads varies dramatically depending on the depth of the underlying currency market.

Major global currencies trade within extremely liquid markets where thousands of transactions occur continuously.

This liquidity compresses spreads because competition among market participants drives prices toward equilibrium. Smaller currencies operate in thinner markets with fewer participants and lower trading volume. Reduced liquidity increases uncertainty for financial institutions, which respond by widening the spread between buying and selling prices.

While spreads are sometimes perceived as purely extractive fees, they often reflect structural characteristics of the market itself, including liquidity constraints and limited trading activity. Nevertheless, the cumulative effect of these spreads can impose significant costs on small economies engaged in international trade and financial flows.

Payment Corridors & Liquidity



Payment efficiency is also influenced by the structure of financial corridors between countries.

Large trade corridors with significant transaction volume tend to operate more efficiently because banks maintain strong liquidity positions and deep correspondent relationships within those markets.

For example, financial corridors connecting major economies often

benefit from high transaction volume and dense institutional networks.

Smaller corridors involving small states frequently experience lower liquidity and reduced banking coverage. Limited competition among financial institutions may contribute to higher transaction costs and wider exchange margins.

This corridor imbalance further amplifies the structural disadvantages faced by small economies within global payment systems.

Correspondent Banking Dependency



Correspondent banking relationships remain the primary mechanism through which many small economies access international payment networks. Domestic banks maintain accounts with larger foreign institutions that facilitate cross-border settlement, currency exchange, and compliance with international financial regulations.

However, correspondent banking relationships have declined significantly in many small markets over the past decade. Global financial institutions have reduced their exposure to smaller jurisdictions due to rising compliance costs, anti-money laundering regulations, and perceived regulatory risk.

This process, commonly described as “de-risking,” has created structural vulnerabilities for small economies that rely heavily on external banking networks to process international transactions. As correspondent banking networks contract, the cost and complexity of international payments may increase further for small states.

Remittances & Household Impact



Remittances represent one of the most important financial inflows for many Caribbean economies.

Millions of households rely on funds sent by family members working abroad. These transfers support household consumption, education, healthcare, and small business activity. However, traditional remittance channels often involve several intermediaries, including remittance service providers, correspondent banks, and domestic

financial institutions. Each intermediary may introduce additional fees and currency conversion margins.

Global development institutions estimate that remittance costs to many small economies frequently range between five and ten percent of the total transfer value. For households dependent on remittances, these costs represent a meaningful reduction in the financial resources ultimately received.

Emerging Digital Settlement Systems



Advances in digital financial infrastructure are beginning to reshape global payment systems. Distributed ledger technologies, programmable settlement networks, and digital asset platforms have demonstrated the potential to reduce settlement times and simplify transaction verification.

Stablecoins backed by major currencies have already introduced new forms of digital settlement in global markets. In some periods, stablecoin settlement volume has approached or exceeded that of traditional retail payment

networks. At the same time, central banks around the world are exploring central bank digital currencies as potential mechanisms for improving payment infrastructure.

More than one hundred central banks are currently researching or piloting digital currency systems designed to modernize payment settlement and improve cross-border transaction efficiency. These developments illustrate the growing recognition that payment infrastructure itself is becoming a critical component of economic competitiveness.

Global Currency Competition & Financial Infrastructure

The evolution of payment systems is increasingly tied to geopolitical competition over financial infrastructure. Major economies are investing in alternative settlement systems designed to reduce reliance on existing global payment networks.



China's Cross-Border Interbank Payment System, regional payment initiatives among emerging economic blocs, and multilateral central bank digital currency experiments illustrate the growing interest in alternative financial infrastructure.

Currency influence in the modern economy depends not only on economic size but also on the infrastructure through which financial transactions are processed. Countries with limited

financial infrastructure may find themselves dependent on external systems controlled by larger economies.

For small states, this evolving landscape raises questions about financial resilience and long-term economic autonomy. Developing modern payment infrastructure capable of interoperating with global financial systems may therefore become an increasingly important strategic objective.

The RAFT Global Architecture



RAFT Global has been designed as a digital financial infrastructure layer capable of supporting secure transaction verification, institutional settlement, and cross-border interoperability.

Rather than operating as a retail cryptocurrency platform, RAFT Global is intended to function at the institutional infrastructure level alongside regulated financial entities and national monetary authorities. Deployment within a jurisdiction would require institutional coordination involving central banks,

By reducing reliance on multi-layered intermediary banking chains, such infrastructure has the potential to significantly reduce operational friction embedded within cross-border payments.

ministries of finance, financial regulators, and participating financial institutions.

In a domestic deployment environment, RAFT Global could enable participating institutions to settle transactions through a unified digital infrastructure layer rather than relying exclusively on fragmented legacy systems. In a multi-jurisdiction environment, interoperable deployments could allow participating economies to exchange value directly through secure settlement networks.

RAFT Coin & Remittances Efficiency



Within the RAFT Global architecture, RAFT Coin represents a programmable digital settlement asset designed to operate under jurisdictional legislation and regulatory oversight. RAFT Coin is not designed as an open speculative cryptocurrency. Instead, it functions as a regulated digital instrument operating within the RAFT Global financial infrastructure environment.

Activation of RAFT Coin would require legislative authorization within participating jurisdictions and oversight from national financial authorities. One of the areas where RAFT Coin may provide immediate value is in cross-border

remittance flows. Within a regulated RAFT infrastructure environment, remittance transactions could occur directly between participating institutions and regulated digital wallets, reducing the number of intermediaries currently embedded within traditional remittance channels.

Transactions could settle rapidly while maintaining transparency, auditability, and compliance with financial regulations. While currency differences between jurisdictions would continue to exist, the operational friction currently embedded in remittance networks could be significantly reduced.

Payment Costs as a Development Issue



Payment costs are often discussed as a technical financial issue, but they also represent a broader development challenge. When international payments remain expensive, small economies face structural barriers to economic growth. Higher transaction costs reduce the efficiency of trade flows, increase the cost of remittances, and constrain access to international financial markets.

For small businesses, expensive payment systems may limit participation in global commerce. For households,

remittance fees reduce the financial support received from relatives abroad. Reducing payment friction can therefore produce meaningful economic benefits for developing economies by increasing financial inclusion, improving trade efficiency, and allowing a greater share of economic value to remain within domestic financial systems.

In this context, modern financial infrastructure becomes not only a technological question but also a development priority.

Conclusion

Global payment systems remain unevenly structured. Large financial centers benefit from deep liquidity, highly developed banking networks, and efficient currency markets that enable rapid and low-cost settlement.

Small economies often operate within systems characterized by higher transaction costs, wider foreign exchange spreads, and heavy dependence on external banking infrastructure. These structural differences contribute to persistent financial leakage from smaller economies participating in global trade and financial flows. As digital financial infrastructure evolves, new settlement models may offer opportunities to reduce payment friction and improve financial system efficiency.

The long-term challenge for small economies will be ensuring that emerging financial infrastructure aligns with institutional governance, monetary stability, and economic development objectives. Payment infrastructure is increasingly becoming a strategic component of economic resilience in a rapidly evolving global financial system.

