

GPII: Driving Innovation in Cross-Border Payments

published on 29.06.2016

Damien Godderis, Senior Product Manager, International Payments and Correspondent Network, writes in Treasury Management International about the global payment innovation initiative (GPII)

Where is my payment? When will the funds be available? Where have correspondent banking fees been deducted? ? and for how much? Which invoice is linked to which payment? For corporate treasurers, making and receiving cross-border payments is often fraught with complexity and lack of visibility. The GPII (global payment innovation initiative) is a timely and crucial opportunity to overcome these challenges and create visibility and certainty in international payments.

Attracting more than 65 leading banks, with BNP Paribas as an early pioneer, GPII is a market-driven initiative co-ordinated by SWIFT that offers unprecedented potential to improve the cross-border payment experience. The aim is to enhance the speed and transparency of cross-border payments, and promote fair pricing by providing better oversight of correspondent banking fees. This is taking place in a context of accelerated change, where banks are looking at rationalising their correspondent network.

The scale of opportunity

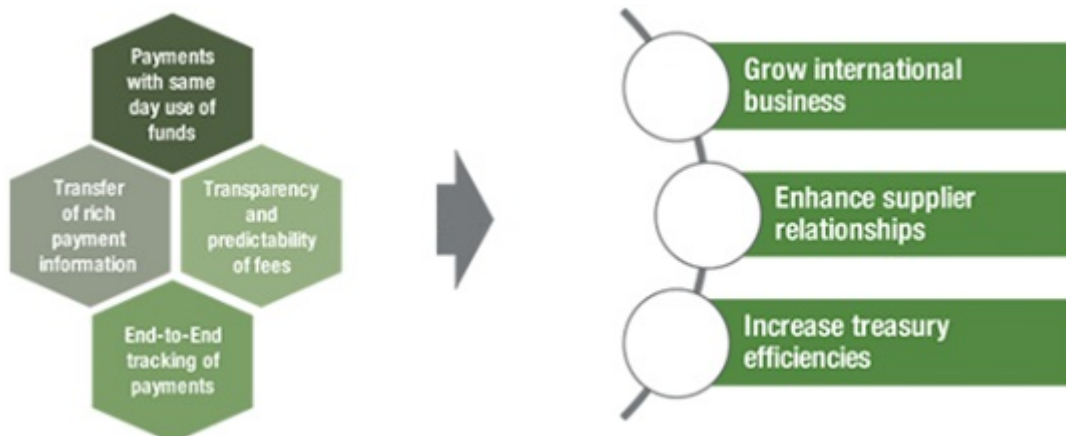
Currently, the cross-border payments process often relies on transferring funds between one or more intermediaries, or correspondent banks, before reaching the ultimate physical bank location. On average, an international transaction involves three or four banks, so it is difficult for treasurers to maintain visibility over each step of the process. This can result in a lengthy process with frequent delays and potential risks due to variations in banking regulations across countries. These delays are further exacerbated by the fact that one in every 200 international payments is subject to interbank investigation and exception handling. In addition, as each correspondent bank also deducts its own fees, it is difficult to calculate cross-border payment fees upfront, or to reconcile these fees at the point of settlement.

GPII offers the potential for a significant transformation in correspondent banking and ultimately therefore, the experience of cross-border payments. The aim is to improve payments processing for corporates by providing same-day access to funds through a multilateral service level agreement between participating banks. Subsequently, banks will confirm to each other the status of each transaction as well as any fees that have been levied. This information can then be delivered back to customers as a track-and-trace service, supported by full, end-to-end remittance information. The result is a considerably enhanced transaction and information process for cross-border payments with same-day processing, transparency of fees and end-to-end tracking.

Furthermore, the speed with which GPII is reaching fruition is also significant. One aim of GPII is to minimise the time to market as far as possible by leveraging existing standards during the first phase of its roll-out. Since it was first announced in December 2015, for example, 21

leading banks, including BNP Paribas, have already embarked on pilot projects, with initial results due to be unveiled at SIBOS 2016 in Geneva.

The core benefits of GPII



At the forefront of change

At BNP Paribas, we believe that GPII offers a timely and compelling opportunity to significantly enhance our customers' experience of cross-border payments, and it is highly reflective of our mission statement to be 'the bank for a changing world'. As a result, we particularly welcome, support and drive the GPII initiative. For GPII to be successful, it is vital that the initiative engages as many supporters as possible including corporate treasurers, clearing houses and banks, in order to gain widespread adoption. One challenge is that small regional banks may not have the appetite or investment capability to invest in GPII; however, it is not a blocking factor, as a GPII transaction can be initiated even if the end bank is not GPII. In addition, GPII banks can offer GPII access to non GPII banks, thus broadening the community of users, whether they adopt GPII or not.

GPII will continue to expand as additional banks join the initiative: already it has grown from 45 to 65 major banking participants in the first six months, demonstrating the depth of support within the industry. As awareness of GPII increases, corporate treasurers are quickly recognising the opportunities it presents. When invited to prioritise their expectations for tomorrow's treasury during live surveys at the recent

BNP Paribas Cash Management University, for example, GPII was top of attendees' list, ahead of fintech and instant payments. At the same event, more than 60% of participants indicated that they were keen to be part of the GPII pilot. As a new initiative, the steps taken so far are just the first stage of the journey, laying the foundations for the years to come. Collaborative vision workgroups are being organised on a regular basis to discuss the next steps of GPII and define tomorrow's roadmap.

Key Points on GPII

The global payments innovation initiative (GPII) is delivering a new standard in cross-border payments, and more specifically:

- Proactively respond to evolving customer needs for more speed, transparency and predictability of time and cost in cross-border payments
- Provide a new multilateral rulebook, initially focused on business-to-business payments

- Build on the foundation that banks provide in security, resiliency and compliance
- Deliver real-world innovation: build on an existing platform, embrace new technologies along a strategic roadmap
- Provide a global reach based on a collaborative, industry-wide initiative
- Provide an open model, with participation based on operational quality Key figures (June 2016)
- >65 banks members of GPII so far
- 21 banks participating in the GPII pilot
- 227 countries accepting GPII payments

Netherlands Antilles

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