

Improving cross-border payments: how SWIFT's global payment initiative is changing the landscape

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The head of product management for North American cash management services, Marlene Lieberman writes about SWIFT gpi in GT News

Making international wire payments has long been viewed by corporates as a necessary evil. From the perspective of originators, as well as beneficiaries, cross-border payment processing has been something of a 'black box' with payments going in, but no certainty on when they would be posted in the beneficiary's account, how much would be deducted in fees along the way by intermediary banks, or if remittance information would be delivered intact.

Frustration with this highly inefficient system and the desire by corporate treasury professionals to find a faster, more transparent process, was the impetus behind the development of SWIFT's global payment innovation (gpi) initiative.

How it all began

Starting in 2015, SWIFT launched a pilot programme called gpi for global payments innovation to focus on improving the business-to-business (B2B) payments experience. gpi is based on a multilateral service level agreement (SLA) across banks, providing a common standard for processing cross-border payments. The goal of gpi was to significantly improve the customer experience by increasing the speed, transparency and tracking of international payments.

To date, more than 90 leading banks have signed up for the SLA. As the programme has gone live, thousands of transactions every day are utilising this new processing solution. The gpi network is more than SWIFT as local market infrastructures, such as Fed and the Clearing House Interbank Payments System (CHIPS) in the US, are also participants.

Tracking payments from end-to-end

One of the key features of gpi is the Tracker, a database in the cloud which collects real-time, end-to-end views on payment status. With the Tracker, banks can provide corporates with updates on the status of the payments and the fees which may be deducted by intermediary banks as the payment gets processed through the system. As a result of this advanced functionality, treasurers can receive confirmations when payments have been credited to a beneficiary account. With the participation of Fed and CHIPS in the US the Tracker will include updates from the final depository banks even if they're not SWIFT members.

The immediate benefits of gpi

Another value provided by gpi is the commitment to deliver the remittance detail to the ultimate beneficiary to facilitate corporates' reconciliation processes.

Among the many advantages of gpi is that its improvements have been built into the existing payments infrastructure and do not require a whole new model – practically speaking, avoiding many of the challenges associated with launching new processes. This is a major plus for corporates, as well as banks, which are looking for cutting-edge solutions that don't require reinventing the wheel.

SWIFT's gpi is already delivering significant and immediate benefits for corporate treasurers. This new payment model is enabling same-day-use of funds, posting payments to beneficiary accounts on the day of origination, within the timezone of the receiving gpi member.

One of the most important benefits of gpi is transparency of fees. Treasurers will finally have insight into any fees deducted from payments by intermediary banks and information on the value of the credit posted to the beneficiary's account. gpi's Tracker leverages the SWIFT database, providing corporates with status updates as payments move through the process, indicating precisely where the payment is at any given time as they are processed by gpi banks. In addition, the delivery of unaltered remittance information to the beneficiary bank allows beneficiaries to reconcile credits to their accounts receivables more quickly and easily.

More advances are in the works

gpi sets the foundation for banks to partner with the emerging financial technology (fintech) industry to bring new services and functionality to international payments.

SWIFT gpi will also improve handling of cross-border payments by allowing banks to stop payment, no matter where it is in the correspondent banking chain. It will also offer an international payment assistant to increase the straight-through-processing rate of cross-border payments at origination. The final phase of gpi is expected to explore blockchain/distributed ledger technology (DLT) for real-time nostro account reconciliation.

Doing our part to support clients

Sometimes taking small steps is the best approach to a big problem. BNP Paribas believes the gpi strategy of incremental and continuous improvement is a realistic means for improving a system that includes tens of thousands of originators and thousands of banks.

In keeping with overall gpi strategy the bank will provide gpi services without requiring our clients to make infrastructure changes on their systems. Clients won't need to make changes to their platforms or payment files as BNP Paribas will automatically originate payments as gpi payments whenever possible.

This approach fits perfectly with the bank's commitment to continuous improvement of its service offering through innovation. Beginning in November 2017, the bank plans to offer gpi origination for euros (EUR), US dollars (USD) and other currencies in multiple hubs in Europe. The objective is to expand our gpi capabilities to all our regions. By being an early adopter of gpi BNP Paribas will provide our corporate clients with access to information on their SWIFT activity from payment initiation, routing through intermediary banks and posting at the ultimate beneficiary banks. We see significant interest by the big banks in all the markets we operate in and especially by the largest money centre banks in the US. We believe the combination of demand from corporates and investment by the biggest banks in global payments will push the necessary critical mass to enable gpi to become a standard – and expected – service.

At present, BNP Paribas is serving as a trusted advisor and educating clients about gpi and its many benefits.

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