



A Pioneer in Cross-Border Payment Innovation

Since its incorporation in Shenzhen, PRC in 1988, Ping An Insurance (Group) Company of China, Ltd (Ping An) has become one of China's leading integrated finance conglomerates. It is one of the world's largest insurance groups, ranked 10th in the Forbes Global 2000 list in 2018. Ping An is committed to financial and technological innovation, not only to transform and optimise its own business, but to forge a path for other companies in China and across Asia seeking to demonstrate industry best practices. Furthering this objective, Ping An has been the first corporation in China, and Asia more widely, to participate in the SWIFT gpi (global payments innovation) for Corporates pilot project, as David Choy, Group Treasury Director explains.

By Ping An Insurance (Group)
Company of China, Ltd

Ping An manages an extremely high volume of cross-border payments. Before introducing SWIFT, these were handled manually by a team of 30 people. This was inefficient, created issues around security, and lacked the scalability we need as our business continues to expand.

In 2016, Ping An made the decision to implement SWIFT, marking a major step

forward in both risk management and efficiency terms. Bank communications are now secure and standardised and with a high level of straight-through processing through integration with our proprietary treasury management system. This is used by all wholly-owned subsidiaries for payments, cash and treasury management.



Users can now track payments throughout their lifecycle, giving better transparency and confidence to both Ping An and our counterparties.



Cross-border payment challenges

Although implementing SWIFT delivered some essential benefits in bank communications and payments processing, we continued to experience two key challenges in cross-border payments.

Firstly, we could not predict when payments would reach the beneficiary's account. On average, payments took seven to 14 days to settle and, in some cases, payments could take up to three weeks to settle. This uncertainty led to the risk of breaching contractual obligations, which had financial, reputational and relationship consequences. As a result, we were obliged to make payments far earlier than they were due, which had a major impact on working capital given the number and value of cross-border payments that SWIFT processes.

Secondly, we could not track the progress of cross-border payments between SWIFT's account and the beneficiary. Payments often pass through multiple beneficiaries and it was time-consuming and labour-intensive to query payments with our relationship banks.

Pioneering SWIFT gpi for demonstrable benefits

The benefits of SWIFT gpi were extremely clear to us, so we were keen to get involved as a pilot customer. We worked closely with

SWIFT and our partner banks, Standard Chartered and Bank of China, which are very active in the SWIFT gpi project. At the same time, we pushed our IT team to make our internal systems ready for SWIFT gpi to take full advantage of the opportunities and avoid delay.

As a result of these efforts, we have made significant progress in addressing the problems we were experiencing with cross-border payments.

For example cross-border payments can now be settled on the same working day, providing far greater certainty both for Ping An and our counterparties. Entities no longer need to hold large working capital buffers in order to make early payments, creating important working capital benefits. In the case of intercompany cross-border payments, both paying and receiving entities were previously having to hold this buffer to overcome the unpredictability of both debit and credit.

Users can now track payments throughout their lifecycle, giving better transparency and confidence to both Ping An and our counterparties. This also has significant resourcing implications for Ping An and our banks due to the steep decline in the number of manual payment queries.

The working capital and payments processing implications of SWIFT gpi are substantial both to Ping An and our counterparties. In addition, we will also benefit from faster, more predictable receipt of cross-border funds as the use of SWIFT gpi becomes more widespread.

Committed to the future

We are highly motivated to input to, and participate in, the ongoing development of SWIFT gpi as it evolves in terms of both functionality and technology. For example, we anticipate that blockchain-based technology will further enhance the traceability of cross-border payments and prevent amendment or truncation of payment files post-transmission.

Although Ping An has been the first corporation in China to pilot SWIFT gpi, we expect interest and adoption to ramp up quickly as awareness among corporations and banks increases. We anticipate that same-day, traceable cross-border payments will very quickly become the industry norm, and expected by both payers and beneficiaries alike. ■

What is SWIFT gpi?

SWIFT gpi (global payments innovation) is a new service level agreement developed by SWIFT and its members to transform cross-border payments. Under SWIFT gpi, payments are settled same-day, with unprecedented ability to track payment progress and fees. More than 280 banks across more than 200 countries (representing 80% of SWIFT's cross-border payments traffic) have already joined SWIFT gpi, and all member banks will support SWIFT gpi by 2020.

SWIFT gpi offers corporations:

- Faster (same-day) cross-border payments
- The ability to track payments from end-to-end
- Better visibility over bank charges
- Fewer payment investigations
- Confirmation of settlement, essential for critical financial and commercial flows
- Improved cash management and forecasting