



White paper

**SWIFT gpi**

Towards frictionless  
cross-border payments

---

Executive Summary	3
Cross-border payments at a crossroads	4
SWIFT gpi: A foundation for transformation	5
Realising benefits of SWIFT gpi	6
Delivering gpi benefits to clients: Citi's experience	7
Building on the gpi foundation: What's next?	8
Conclusion	10

---

A large-scale transformation is under way throughout the cross-border payments ecosystem. Gone are the days when the historically opaque and inconsistent cross-border payments process was seen as acceptable by end users or sustainable by the industry. Fundamental shifts in client expectations and available technology, coupled with a proliferation of new payment providers and infrastructures, are catalysts for this transformation, as are developments taking place in the correspondent banking network itself.

At its core, the correspondent banking model remains a strong and valuable base on which to build the cross-border payments model of the future. With its vast reach and connectivity, role in providing liquidity, support of scale, and established compliance and risk management framework, the rails as they exist today provide a solid foundation for change. And this change has already started with SWIFT's global payments innovation (gpi), which provides a comprehensive path for the cross-border payment landscape's evolution.

This paper takes a closer look at how the correspondent banking ecosystem is re-inventing itself through gpi and what this means for banks and their customers. It examines historical inefficiencies between banks in the international payment processing chain, and the ways in which SWIFT gpi tactically removes these. Finally, it illustrates an ongoing emphasis on continuing to strengthen and improve the cross-border payments ecosystem, driving the community towards a certain, consistent, transparent and secure cross-border payments model of the future – one of frictionless intermediation which provides efficiency and adds value.



**At its core, the correspondent banking model remains a strong and valuable base on which to build the cross-border payments model of the future.**

## Cross-border payments at a crossroads

SWIFT gpi

The cross-border payments industry and the correspondent banking network that underpins it are at a critical crossroads. In a world of 24/7 access to information and user-friendly digital services embedded throughout our personal lives, the opaque experience that corporates and consumers face when transferring money internationally can seem woefully out of date.

While both retail payment ecosystems and some domestic payment systems have long embraced the digital age, cross-border payments in the traditional clearing space have been outpaced. The correspondent banking model has historically operated as an “open loop system” spanning across the globe with no standardised feedback mechanisms. While this model has provided scale and reach across the entire financial ecosystem, this has resulted in an unpredictable payment experience being delivered to underlying customers. A single cross-border payment typically involves a number of actors – originating and beneficiary banks, and one or more correspondent banks. Inefficiencies within and between any of the actors in the chain can drive up the time and cost needed to complete a payment. As a result, cross-border payments have not provided the payment initiator consistent visibility over all of the fees applied by the banks processing the payments, where payments are in the processing chain, and when they will be credited to the end beneficiary.

While there is clearly a need to innovate and evolve, the cross-border payments ecosystem that exists today arose to address the complexities of providing secure and ubiquitous cross-border payments. Indeed, international payments present various unique challenges: vastly different national banking rules and systems, consideration for foreign exchange conversions and controls, import and export restrictions, and compliance with necessary regulation.

The correspondent banking network, with its intricate and extensive connectivity across the globe, has proven well-placed to manage these complexities and to ensure that payments securely reach the end beneficiary. However, the lack of transparency, standardisation and end-to-end tracking of payment progress has resulted in a suboptimal customer experience and has made it difficult to identify and resolve points of friction.

### Enter SWIFT gpi

Since January 2017, SWIFT gpi has tactically and strategically addressed the key friction points outlined above. The overarching aim in adopting gpi is to ensure that the international payments process meets industry-wide requirements for speed, transparency and a better end-user experience, providing bank customers with seamless, consistent, real-time information about their payment status and location.

With “beneficiary confirmation” becoming mandatory on the SWIFT network by 2020, SWIFT gpi is the new standard for cross-border payments. What’s more, SWIFT gpi underpins ongoing and future improvements to international payments, including faster payment transactions, more certainty for users across the payments chain, enhanced messaging standards, and ever-stronger resiliency and security across the entire system.



**The overarching aim in adopting gpi is to ensure that the international payments process meets industry-wide requirements for speed, transparency and a better end-user experience.**

SWIFT gpi is best suited to meet the wide-ranging needs of the entire cross-border banking community for the following reasons.

## SWIFT gpi

- Delivers more efficient, transparent and faster cross-border payments;
- Is inclusive of all cross-border payment types and, therefore, fit-for-purpose across every client segment;
- Was developed on an industry-grade and highly safe, secure, and resilient network and infrastructure;
- Provides a clear path to scale. The 11,000 banks that connect to the SWIFT network today can easily integrate gpi into their current infrastructure, unlike alternative cross-border payment models that require extensive integration with existing bank infrastructures. Additionally, the announcement by SWIFT this year of “beneficiary confirmations” becoming mandatory by 2020, for all participants of the SWIFT network, provides a clear path to scale;
- Operates within and adheres to an established compliance framework;
- Reduces friction end-to-end. Today, the vast majority of inter-bank payment friction originates at the end points and not with the platform or intermediaries that execute the payment. While alternative settlement platforms are unable to alleviate this source of friction, SWIFT gpi drives new standards across the entire ecosystem aimed at addressing friction end to end; and
- Serves as the foundational platform upon which next-generation value-added services are being developed.

## About SWIFT gpi

SWIFT gpi creates a foundation for frictionless intermediation in cross-border payment through a new set of business rules and digital tools that enable banks to better serve the needs of their customers. SWIFT gpi alleviates client pain points including those of corporate treasurers and retail clients when making cross-border payments.

SWIFT gpi was developed around four core principles that banks commit to follow:

- Make funds available within the same business day, provided the payment is received before the cut-off time of the gpi bank in the destination country
- Provide the ability to monitor payment status in real time and confirm when funds have been credited on the end beneficiary account
- Provide transparency of fees throughout the payments chain

- Pass on remittance information unaltered

Adherence to these principles is a win-win for banks and their clients. Banks are able to better serve their customers by meeting requirements of timeliness, tracking, fee transparency and un-altered remittance information.

Real-time payment status and tracking enables banks to provide digital tools directly to their clients to give them transparency into the payments chain, more easily answer customer questions and more quickly resolve investigations and exceptions. This leads to increased operational efficiency and cost saving opportunities.

Implementing SWIFT gpi does not require costly reengineering of back-office systems. The existing rails of SWIFT’s secure global messaging and FIN payment formats power SWIFT gpi, leveraging banks’ existing

operational payment processing systems, sanctions screening and compliance infrastructures, and FX processes.

As part of gpi, SWIFT has introduced a suite of easily-deployable cloud-based platforms and applications that enable market participants to track payments, monitor adherence to the SLAs, and consult information related to their gpi member bank counterparties.

These tools have been developed together with banks to ensure that they meet the needs of the end user. This is only the foundation. A comprehensive feedback process involving banks and corporates provides real-world insights used to define, develop, test and enhance new services, capabilities and functionalities on a rolling basis.

Available now, SWIFT gpi delivers immediate benefits to banks and their customers and, importantly, is not dependent on a single underlying technology. Market participants are able to make use of new developments, enhancements and improvements immediately rather than waiting years for testing and roll out. SWIFT gpi has been developed to adopt new technologies as and when they are deemed viable. It provides an impactful payment solution for today that can be deployed quickly and at scale for the global financial community.

## Fast payments

With SWIFT gpi, more than half of the over 400,000 end-to-end gpi payments sent on a daily basis are credited on the beneficiary's account in less than 30 minutes, many in seconds – with a credit confirmation sent back in real time to the initiating bank.

Nearly all of the other 50% of gpi payments are credited within 24 hours to the end beneficiary. Those that take longer do so for clear, known reasons, such as extra documentation checks required or foreign exchange controls, delays that are outside of the direct control of the correspondent banking model.

## Efficient payments

SWIFT gpi enables significant gains in operational efficiency and cost saving opportunities as well. Banks using gpi have consistently reported substantial reductions in the:

- number of investigations they receive; and
- time investigations take to handle.

With gpi, banks have far fewer Beneficiary Claims Non-Receipt enquiries to handle when they are on the receiving end of a payment transaction. This is because the beneficiary bank provides the confirmation of credit directly to the initiating bank via the gpi Tracker. By consulting the Tracker, the initiating bank, or their clients directly via digital bank portals, can find out immediately where the payment is and whether it has been credited. They can also see if the payment has not been credited, and why. There is no need to contact the beneficiary bank.

Receiving banks can also see the payments coming to them in real time and enable their clients to check the progress of incoming payments so they can release the goods and services to the buyer directly upon receipt of the funds.

On the payments sent side, the benefits are similar as gpi allows the instructing bank to see in real time where the payment is without having to contact any intermediary. The instructing bank can then provide that information directly to their clients.

The gpi Tracker helps operations teams quickly answer questions related to a payment such as its status, fees, key dates, instruction details and who the correspondents are in the chain. Knowing the precise location of a payment also enables operations teams to take quick action to stop or recall a payment if fraud is detected. Moreover, by using APIs to integrate information from the gpi Tracker into their own client portals, banks can give their corporate clients direct access to information, further increasing transparency and improving efficiency.

Enhancements are frequently and routinely rolled out to the ever-growing network of member banks, continuously improving the international payments experience for banks and corporates.



**SWIFT gpi provides an impactful payment solution for today that can be deployed quickly and at scale for the global financial community.**

# Delivering gpi benefits to clients

SWIFT gpi

## Citi's experience with servicing and operations

With regard to operational efficiency, the increased transparency that gpi brings is having a positive impact. At Citi, for example, we have seen that for enquiries regarding bene claims non-receipt, payment status or payment returns that involve a payment that has gone fully gpi, we're able to resolve the query much more efficiently. In 60% of cases the query is resolved in a much more efficient way, simply by looking at the Tracker.

Previously, addressing these types of enquiries would have involved opening an investigation and potentially reaching out to the receiving institution for more information. Needless to say, this could take hours or days to resolve.

## Citi's Omni-channel strategy

Citi is bringing gpi data to institutional clients via Citi Payment Insights, an omni-channel approach to deliver real-time tracking and visibility into the payment lifecycle. Citi clients have instant access to payment statuses across 70+ Citi's branches based on Citi's proprietary investment in BigData. By integrating with SWIFT gpi cloud via API, Citi is delivering a consistent client experience for transactions settled externally across the correspondent banking network. Throughout Citi's branch and gpi network, clients have complete transparency into transaction processing times, fees, and the amount credited to beneficiaries. Clients can access Citi Payment Insights via its electronic banking platform, CitiDirect BE, and host-to-host channel CitiConnect.

Citi Payment Insights also seamlessly integrates gpi data into cash management functions such as on-demand proof of payment letter that can be generated by CitiDirect BE clients when their beneficiary claims non-receipt of funds. Feedback from Payments Insights pilot clients has been extremely positive with clients welcoming the major step forward in transparency.

Citi is also participating in the gpi4Corporates pilot with the objective of developing a standardised, bank agnostic, industry specification, that can benefit our clients across all segments. Our CitiConnect offering delivers gpi data via ISOXML and MT199 formats.

## Building on the gpi foundation: What's next?

Continuing to build on the foundation laid by SWIFT gpi is key to ensuring smooth, frictionless cross-border payments. A number of enhancements and additional gpi services are being developed together with the SWIFT community.

Launches currently scheduled include:

- **Extended tracking of gpi payments:** enabling gpi member banks to track payments along the full payments chain, even if the banks handling the transaction have not yet adopted gpi. Following the annual SWIFT Standards Release in November 2018, the entire SWIFT network will be required to include the unique end-to-end transaction reference (UETR) in their payment instructions, irrespective of whether they are a gpi member bank or whether they are executing gpi payments (November 2018).
- **gpi Stop and Recall:** allowing for quicker reaction to suspected fraud or errors with the ability to immediately stop or recall a payment that has been sent (January 2019).

Other initiatives ongoing include:

- A tracking service for high-value **financial institution transfers** (2019).
- **Beneficiary credit confirmation** visible in the gpi Tracker across all banks in the SWIFT network (2020).
- The development of gpi standards that **corporates using multiple banks** can integrate into their treasury processes (gpi4Corporates pilot programme ongoing).
- A **pre-validation** service supported by an international payments assistant to help make payments error-free at the point of origin and increase STP (pilot programme ongoing).

## Taking the next steps for cross-border payments

While the baseline gpi capability and improvements outlined above will go a long way to improving the cross-border payments ecosystem, this is just the beginning. There are a number of areas that we as an industry should continue to focus on to further remove friction, and continue to build on SWIFT gpi to ensure consistently fast payments, develop a more dynamic connectivity model, adopt more standardised and data-rich ISO 20022 messaging, and create new valued-added services for customers.

---

### Making payments faster

First, thanks to the data SWIFT gpi provides on payments speed at an end-to-end corridor-based level, banks can start to examine how certain processes or settlement models could potentially be adapted to make payments even faster. One option is to explore tightening SLAs across gpi banks, requiring earlier status updates or credit to the beneficiary.

---

### Making bank interactions more dynamic

Secondly, to reduce friction even further in international payments, a more dynamic connectivity model between banks is needed to increase certainty in the end-to-end payments chain. Banks need to be able to interact on a bilateral or multilateral basis ahead of, during and post payments initiation to improve STP rates and decrease repairs, rejections and returns. A pre-payment beneficiary account validation process, like that which SWIFT gpi is currently exploring, would go a long way in ensuring that payments go STP or allow banks to rectify issues before the payment leaves the original institution. It will be incredibly powerful to know upfront if an account number is incorrect, does not match the beneficiary's name or has other fundamental issues that may result in the payment being rejected or returned.

---

### Making investigations more efficient

SWIFT gpi already greatly improves speed and efficiency of handling operational investigations and enquiries. A more dynamic connectivity model could improve efficiency in investigations and exceptions processing between banks even further. Giving operations teams, at various banks along the payment chain, insights into the status of an investigation at another bank as and when they need it through such technology as an API call, will ensure that questions are addressed quickly and efficiently with supporting documentation, if needed.

---



---

### Making messaging more standardised and robust

To truly benefit, the industry must invest in the migration from often unstructured MT message types to structured ISO 20022 standards. ISO 20022 allows for far richer data sets, which increases the possibility to apply machine learning and AI to various processes along the correspondent banking chain, especially in the sanctions and AML space, which are highly manual and time-consuming today. Additionally, ISO 20022 provides corporate clients with a much greater ability to automatically reconcile incoming payment flows due to the richness of the payment details received. SWIFT has already completed a consultation across banks and has agreed to move forward with the migration of payments to ISO 20022, starting 2021. We believe this migration to be a critical element in continuing the build to a more frictionless cross-border payments model.

---

### Making new value-added services possible

SWIFT gpi provides the foundation that banks need to be able to create new value-added services for their customers. Using gpi data, banks can develop new services for their clients, enhance their existing services and continue to improve processes that lead to increased customer satisfaction. SWIFT gpi can also become a platform for which banks expose those services back to their clients.

---

SWIFT gpi is re-inventing cross-border payments from the ground up. The foundation has been established, and banks and their customers are already benefitting from dramatically improved transparency and certainty in their international payments. With the right mix of industry collaboration and the proprietary development of new value-added services, SWIFT gpi will continue to provide the foundation from which to build the correspondent banking model of the future.

It is essential that banks embrace this transformation by implementing gpi and build on the real value and strength in the cross-border payments network that exists today. Full integration of gpi into a bank's cross-border payment offering will produce a far superior customer experience. Banks that do not adapt will find it increasingly difficult to compete and risk losing out to alternative options.

Through the committed and concerted effort of all – facilitated by SWIFT to ensure scale is achieved, standards are established and innovation is driven towards collective objectives – the way is paved for a more certain, sustainable, frictionless cross-border payments road ahead.



**Full integration of gpi into a bank's cross-border payment offering will produce a far superior customer experience.**



## About SWIFT

SWIFT is a global member-owned cooperative and the world's leading provider of secure financial messaging services. We provide our community with a platform for messaging and standards for communicating, and we offer products and services to facilitate access and integration, identification, analysis and financial crime compliance.

Our messaging platform, products and services connect more than 11,000 banking and securities organisations, market infrastructures and corporate customers in more than 200 countries and territories, enabling them to communicate securely and exchange standardised financial messages in a reliable way.

As their trusted provider, we facilitate global and local financial flows, support trade and commerce all around the world; we relentlessly pursue operational excellence and continually seek ways to lower costs, reduce risks and eliminate operational inefficiencies.

Headquartered in Belgium, SWIFT's international governance and oversight reinforces the neutral, global character of its cooperative structure. SWIFT's global office network ensures an active presence in all the major financial centres.

For more information visit [www.swift.com](http://www.swift.com), or contact your Account Manager, or email [weareswift@swift.com](mailto:weareswift@swift.com).

## About Citi

Citi, the leading global bank, has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions. Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management.

Additional information may be found at [www.citigroup.com](http://www.citigroup.com)  
Twitter: @Citi  
YouTube: [www.youtube.com/citi](http://www.youtube.com/citi)  
Blog: <http://new.citi.com>  
Facebook: [www.facebook.com/citi](http://www.facebook.com/citi)  
LinkedIn: [www.linkedin.com/company/citi](http://www.linkedin.com/company/citi)

Authors:

### **Mark McNulty**

Managing Director, Head of Global Clearing and FI Payments

### **Melissa Tuozzolo**

Director, Clearing & FI Payments Market Management and Industry Head

## About Citi Treasury and Trade Solutions

Citi Treasury and Trade Solutions (TTS) enables our clients' success by providing an integrated suite of innovative and tailored cash management and trade finance services to multinational corporations, financial institutions and public sector organizations across the globe. Based on the foundation of the industry's largest proprietary network with banking licenses in over 100 countries and globally integrated technology platforms, TTS continues to lead the way in offering the industry's most comprehensive range of digitally enabled treasury, trade and liquidity management solutions.

---

© 2018 Citibank N.A. All rights reserved. Citi and Citi and Arc Design are trademarks and service marks of Citigroup Inc. or its affiliates, used and registered throughout the world. The information contained in these pages is not intended as legal or tax advice and we advise our readers to contact their own advisers. Not all products and services are available in all geographic areas. Any unauthorized use, duplication or disclosure is prohibited by law and may result in prosecution. Citibank, N.A. is chartered under the National Bank Act of the U.S.A. and has its business office at 399 Park Avenue, New York, NY 10043, U.S.A. Citibank, N.A. London Branch is registered in the UK at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, under No. BR001018, and is Authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. VAT No. GB 429