



## The rise of traceable payments



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**Mr Peng Hua**

Deputy General Manager,  
Operation Management Department,  
ICBC

ICBC was one of the first Chinese banks to adopt SWIFT gpi – and customers are already reaping the benefits.

### Challenges in cross-border payments

For ICBC, the Bank ranked 1st place in the three authoritative lists of The Banker's Top 1000 World Banks for the fourth consecutive year in 2016, the area of cross-border payments is one which has long been ripe for improvement. ICBC's corporate customers can make cross-border payments using a variety of channels, including internet banking, SWIFT messages and host-to-host connectivity. The bank has identified the importance of streamlining and improving the processing of payments, for example by increasing straight through processing rate and gaining greater visibility over the processing status of payments. Another goal is to improve transparency over fees deducted during the course of a payment.

However, cross-border payments have historically been associated with a number of issues which make it difficult to achieve these goals. For one thing, missing remittance information can make reconciliation a labour intensive process. Other issues include the lack of speed and efficiency throughout the payments process.

At the same time, the inability to track the status of cross-border payments means that customers cannot be told exactly where in the payment chain a particular transaction is at any given time. As Mr Peng Hua, Deputy General Manager, Operation Management Department, ICBC explains, the traceability of payments is particularly important where international mergers and acquisitions are concerned, as the large transaction sizes – and their time-critical nature – means it is crucial to make sure that funds are credited to the relevant account in a timely fashion.

### SWIFT gpi

As such, the bank has welcomed the opportunities brought by SWIFT global payments innovation (gpi). SWIFT gpi, which went live in January 2017, increases the speed, transparency and traceability of cross-border payments. As a result, the service enables participating banks to offer their clients end-to-end payments tracking as well as transparency over fees, the same day use of funds and the ability to transmit remittance information without alterations.

According to Mr Peng, the ability to track payments throughout the payment chain is the aspect of SWIFT gpi which offers the most value to corporate customers. This is achieved by including a unique end-to-end tracking number in the header of the MT103 and transmitting this number with the payment all the way to the beneficiary bank. As a result, banks can track a payment's location in real time and confirm when a payment has been credited.

At the same time, Mr Peng notes that the same-day availability of funds is also a considerable benefit. “In order to maximise liquidity and revenue, enterprises usually need to receive funds as soon as possible, as well as paying on time for day-to-day operations. The payee can also recoup funds earlier and arrange immediate delivery of goods,” Mr Peng explains.

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## Using SWIFT gpi

As an early adopter of SWIFT gpi, ICBC has already rolled the service out to 37 domestic branches as well as two overseas branches, ICBC Asia and ICBC Singapore. The implementation took about six months to complete, from the initial planning process to the completion of development and internal testing. Using an integrated development strategy, the bank also plans to roll out gpi to its overseas clearing banks, both for RMB and for other major currencies.

Mr Peng explains that gpi is being adopted as an opportunity for the bank to provide clients with better and more efficient cross-border payment services. "gpi enables us to optimise our cross-border payments and ecommerce services, strengthens communication and co-operation with financial institutions, and makes our cross-border payment products more valuable," he says.

Initial feedback from corporates has been positive. "They believe the design concepts of gpi are very good and they expect it to be productised by ICBC," Mr Peng comments. He adds that the service has enabled the bank to improve the efficiency of cross-border payments, keep better track of funds and consequently enhance the customer experience for the bank's global cash management clients.

## Next steps

As the project develops, ICBC is paying close attention to the ability to update the Tracker database using API. While the bank currently uses MT199 messages, work is underway to explore the feasibility of moving to the API model in the future. "Once we have confirmed that API is better than MT199, we will consider migrating," says Mr Peng.

Meanwhile, ICBC is committed to the application and promotion of gpi for its customers. "In order to gain broader adoption with banks and corporates, we believe that a clear understanding of the rules is needed," says Mr Peng. "We are actively striving for business cooperation with more global customers by building leading services cases and advertising the predominance of gpi – it is important to share practical experience in order to promote the maturity and development of the initiative."

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## Future developments

Looking forward, more developments are planned for SWIFT gpi. Phase Two will include the launch of an international payment assistant which will enable corporates to receive value added information regarding the transaction chain before sending a payment. Under Phase Two, gpi payments will also include rich remittance information as well as the ability to stop and recall payments. According to Mr Peng, this will further enhance the benefits of gpi for banks and their corporate customers. "We believe that in the future, rich data transmission and the ability to cancel payments in time will be of great importance to corporate customers," he comments.

In the meantime, the bank remains dedicated to the gpi project and is actively keeping corporate customers informed about the benefits. As Mr Peng concludes, "We are confident that SWIFT gpi will become the universal cross-border payments service."

### KEY FEATURES

- Hosted by SWIFT, this cloud-based database provides end-to-end visibility over the status of a payment transaction from start to finish. SWIFT gpi banks can log into the Tracker to check the status of specific payments.
- This central service allows gpi banks to view other member banks' adherence to the service level agreement (SLA) rulebook, enabling banks to pinpoint areas for improvement.
- All members are automatically listed in the gpi Directory, which enables end-to-end path finding for gpi payments and is available in a wide variety of formats.