



Removing the pain points for international payments

In a world of interconnected global commerce, paying for goods and services across borders has become standard practice. But for the legions of corporate treasurers at the forefront of global trade, the experience of sending and receiving payments internationally has been anything but standardised.

“As treasurers, we have long suffered from inefficiencies when making cross-border payments,” says Javier Orejas, Head of Banking, EMEA & Americas at the International Air Transport Association (IATA). “This is largely because those payments are dependent upon not just the debtor and creditor banks, but also different correspondent banks and possibly even different clearing systems. With no synchronisation, it can create errors and delays and, ultimately, more work for us.”

Until recently even the most efficient and digitally savvy bank could not guarantee the full end-to-end efficient and transparent cross-border payment experience their corporate customers demanded. This is because international payments are sent via the correspondent banking network and banks are dependent on one another for the timely processing of, and relay of information about, the payment.

A large-scale, global collaboration by the financial community to standardise processing and reporting of international payments was therefore required. Without this, corporates were left wanting: wanting a cross-border payment experience that gave them certainty as to the whereabouts and costs of the payment so they could efficiently send and receive funds, manage their cash and reconcile their invoices.

Time for a change

Built for the digital economy, SWIFT's global payments innovation (gpi) emerged in 2017 to address the needs of corporates for fast, efficient and transparent cross-border payments. The initiative took a collaborative approach from day one. Banks, fintechs and the corporate treasury community worldwide, together with SWIFT, combined their expertise to determine how gpi should be developed to meet the service levels needed for cross-border payments in today's business environment. Speed and efficiency were key, as well as consistency in the customer experience corporates can expect from their banks, transparency on the progress of a payment at any given moment, and ease of integration into existing back office systems.

“For us transparency to the overall transaction life cycle and defined SLAs within gpi are going to be the biggest benefits for GE,” says Peter Claus-Landi, Senior Director Treasury at General Electric. “We see this as an opportunity for us to improve our cash forecasting and optimise liquidity, because we will finally know how long it will take a payment to get from point A to point B. We also look forward to seeing data around the lifting of fees for these transactions, which will allow us to seek the most cost-effective routing solutions with our banks. I also believe that these insights could put pressure on banks to rethink their transaction-based pricing models.”

In the year and a half since its launch, SWIFT gpi has seen a rapid take up, with over 220 banks and other payment providers

globally now signed up, including 49 of the top 50 banks on SWIFT. Today, gpi payments account for nearly 30% of the cross-border payments traffic on SWIFT, and this is set to keep rising as more and more banks join.

By using SWIFT gpi, banks are able to provide superior service levels to their corporate customers, enabling them to: pay for goods and services internationally in a fraction of the time it took previously; shorten their supply cycles and reduce their exposure to fluctuating foreign exchange rates; track their payments from end-to-end and in real time; improve their cash management; and receive a confirmation notice when the money reaches the recipient's account.

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Javier Orejas, Head of Banking, EMEA & Americas, International Air Transport Association (IATA)

According to IATA's Orejas, “What gpi does, through bank collaboration, is establish a set of strict business rules to make the process much smoother. As a treasurer, this translates into an enhanced payments service, with same day use of funds, transparency of fees, end-to-end payments tracking and the certainty of having remittance information transferred unaltered. This ultimately allows us to more efficiently manage our cash positions and improve our working capital management. What's more, because gpi offers the potential to monitor the underlying data and charges behind every payment, we could even see a refresh of bank pricing and T&Cs.”

Increasing value for all corporates

Lack of transparency poses a major challenge for treasury teams – particularly those managing an in-house bank or payments factory – situated at the centre of a company and its multiple entities. As the centre of expertise for payments in the company, and also when managing relationships with the company's banks, treasury regularly faces questions and requests for updates on a payment's progress.

“I think most corporates are at the mercy of the same issue – and that is a lack of cross-border payment visibility,” says Thibault Moncouet, Corporate Finance Operations, Airbus Intergrated Treasury. “Having tracking capabilities means knowing precisely where any payment is on the network at any given time. The time we spend trying to get more information about the state of payments, not least in dialogue with the banks, is recaptured.”



The most advanced banks today are already passing on the increased transparency directly to their corporate customers by making gpi payment tracking information directly available through their e-banking portals. As such this is a win-win for banks and their customers as it improves customer satisfaction and means that banks need to spend less time answering operational queries related to payments' statuses and claims of non-receipt of funds, as the information is directly available to the corporate.

It is easy to see how quickly the value of gpi can spread. By just one bank making gpi tracking information available via their portal, thousands of corporate users instantly benefit.

Creating a new standard for multi-banked corporates

For all the benefits that offering gpi tracking information directly to corporates via bank portals provides, this also poses a significant challenge for corporates having multiple banking relationships.

For a company with ten, or even 20 banking relationships, it is extremely time-consuming and resource intensive to have to go into each bank's web portal or contact each bank for an update. What's more, banks do not all provide the same details, for example about fees or routing, further complicating treasury's task of reconciling payment amounts with the back office. And finally, even when information is available in the banks' web portals, corporates still need to transfer it to their own treasury management systems to fully integrate gpi into their business processes.

To address these issues, in early 2018 SWIFT launched the gpi for corporates pilot programme to define and implement gpi standards for corporates working with multiple banks. The new standard aims to streamline the process for corporate treasurers by allowing them to initiate and track gpi payments to and from multiple banks in a single format and integrate gpi flows in ERP and treasury management systems.

"It is important for us that our banks offer a standardised solution, instead of us having to adapt our systems differently depending on the bank we are working with," says Moncouet. "The gpi for corporates pilot is the perfect opportunity for us to collaborate with peers and banks to co-create a common solution that responds to our requirements. In addition, a common gpi experience across banks will allow us to benefit from additional insights regarding our payments. This includes track and trace capabilities, and information regarding cost and bank performance. SWIFT gpi enables better strategic decision-making and much improved straight-through processing."

The service is tailored to meet the specific needs of multi-banked corporates. In addition to allowing them to initiate and track payments, corporates also receive confirmations once the payment reaches the final beneficiary bank. This makes the entire cash management and cross-border payment process much more efficient including, for example, when the final beneficiary claims that they have not received the funds. In such a case, if the instructing corporate has received a confirmation, they can respond directly to the end beneficiary that the funds have arrived at their bank and avoid potentially lengthy disputes.

The new gpi for corporates service harmonises practices across banks, including how fees are reported and bank routing information. It can also easily be integrated with corporates' existing treasury management systems and connectivity channels, and allows messages to be exchanged in both SWIFT FIN and ISO 20022 format.

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Thibault Moncouet, Corporate Finance Operations,
Airbus Intergrated Treasury

"For IATA," says Orejas, "the development of new standards enabling corporates to directly initiate gpi payments from their back office systems, including the generation of the unique gpi tracking number, is fundamental. This not only allows us to increase efficiency in our processes, but also to reconcile gpi statuses and confirmations directly in our payment dashboards".

The next steps

The gpi for corporates pilot has steadily progressed and today participating banks and corporates are testing the new standard together with the aim to go live in Q3 this year. Another group of early adopters is set to start using the service by year end, and in early 2019 it will be available to all multi-banked corporates through gpi-enabled banks.

SWIFT gpi is the foundation for providing a significantly enhanced cross-border payment experience for banks and corporates alike. A number of additional gpi features and services are scheduled for 2018, with more in the pipeline for 2019 and beyond. Whether you are a multi-national company, or an SME, find out from your banks and vendors how SWIFT gpi saves you time and costs in making cross-border payments. ■

Participants in the SWIFT gpi for corporates pilot programme

Airbus, Bank of America Merrill Lynch, BBVA, BNP Paribas, Booking.com, Borealis, Citi, Deutsche Bank, General Electric, IATA, Intesa Sanpaolo, J.P. Morgan, LVMH Moët Hennessy Louis Vuitton, Microsoft, National Australia Bank, Ping An Group, Roche, RTL Group, Sumitomo Mitsui Banking Corporation, Société Générale, Standard Chartered Bank and UniCredit. Together with the pilot participants SWIFT has also invited leading treasury application providers to integrate the gpi flows into their own systems in order to deliver a fully embedded gpi experience in corporate treasury systems.