Intesa Sanpaolo takes a 'business first' approach to SWIFT gpi adoption

Intesa Sanpaolo is leveraging SWIFT gpi to drive improvements in cross-border payments; and their corporate clients are already reaping the benefits.

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Mauro Pernigo
Product Manager,
International Cash Management,
Intesa Sanpaolo

Corporates around the world face considerable challenges in the area of cross-border payments – and the customers of Italian bank Intesa Sanpaolo are no exception. For one thing, reconciling incoming payments with invoices has historically been difficult for the bank's customers when remittance information – typically invoice numbers – is incomplete or missing from the payment.

A lack of clarity about the timing of particular payments has also resulted in challenges: late payments may result in penalties or may lead to delays in the delivery of goods. At the same time, some clients need certainty that a payment has been settled on their account before they can release the goods.

For Intesa Sanpaolo, as for many other banks, addressing these issues has proved to be problematic due to the way in which correspondent banking relationships are structured. In order to perform international payments, banks hold overseas accounts in many different financial institutions around the world, known as correspondent banks. "Therefore, a payment must first go to our correspondent, who in turn pays the beneficiary's bank, or, in some cases, another correspondent bank in the chain," explains Mauro Pernigo, Product Manager, International Cash Management, Intesa Sanpaolo.

In such cases, straight through processing – and thus a smooth and fast payment transfer – can be achieved only if the original payments data is complete and accurate. However, when manual intervention is needed by one of the banks in the chain, the process can be time-consuming and the transfer lengthy, particularly if different time zones are involved.

"In short, the whole process is complex and time consuming," comments Pernigo. "As a result it's generally impossible to give a commitment to clients about execution time, or even clarify where their payment may be at a specific point in time."

Joining gpi

For Intesa Sanpaolo, these obstacles provided a compelling reason to participate in SWIFT's global payments innovation (gpi) initiative. Focusing on business-to-business payments, gpi enables banks to provide their corporate clients with an enhanced payments service - offering same day use of funds, end-to-end payments tracking and fee transparency, as well as transferring remittance information unaltered.

Intesa Sanpaolo is very active in process and product innovation, with an Innovation Centre in Turin focusing on different forward thinking initiatives. The bank is also in the process of repositioning itself in the transaction banking market, which meant that news of the gpi initiative promising enhancements in cross-border payments was received with considerable interest. "We wanted to move to a new way of doing business, and gpi is exactly this," Pernigo says. "We did everything we could to join."

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‘Business first’ adoption

For Pernigo, it was clear from the outset that the ability to sell gpi to clients would be crucial to the project’s success. As such, the project focused squarely on developing the business model – a strategy that Pernigo describes as ‘business first’. “I involved the business in building a business model so that we started the project with a clear idea of what to do and how to realise and sell it,” he explains.

Once the business model had been developed, the next step was to carry out the necessary IT development so that the model could be implemented. After participating in the gpi pilot in 2016, Intesa Sanpaolo went live with the service in January 2017 – less than a year after the bank’s first gpi meeting took place.

The implementation, which has focused on the bank’s headquarters in the first instance, is an ongoing project. The onboarding of foreign branches will take place in May 2017, and is expected to take about three weeks. Plans are also underway to onboard the bank’s foreign subsidiaries next year – a development which will involve connecting some local and regional banks to gpi using an indirect model. Pernigo notes that this may be a suitable option for countries in which most cross-border transactions are in EUR and USD.

The bank, which is already able to send gpi instructions for all eligible payments from at least 200 clients, expects volumes to increase dramatically once it becomes possible to use intermediary banks. “In the second half of 2017, all our corporate clients will be able to send gpi payments,” adds Pernigo. “At this point we will also review all of our corporate treasury products so that they can benefit from gpi next year.”

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Benefits of gpi

The most compelling benefits of gpi are found to be the speed and tracking functionalities, as well as the ability to simplify the bank’s investigations. The ability to track payments provides the required certainty that settlement has taken place. And the benefits of faster settlement can also be considerable – not least because guaranteeing same-day settlement means that corporates can reduce their foreign exchange risks.

Clients are already reaping the rewards. “A customer of one of our subsidiary banks sent us an urgent euro payment for another bank’s client,” says Pernigo. “Our systems detected the urgency; automatically converted the payment into a gpi payment, and the payment confirmation was received in seven minutes!” In another case, a corporation needed to urgently send 120 USD payments to settle a number of invoices. “After only ten minutes we could confirm to them that the mission was accomplished: we had received all the confirmations!” recalls Pernigo.

Besides the expected advantages, gpi has also led to some unanticipated benefits. Pernigo cites the example of a cruise liner company needing to make payments in a variety of countries as its cruise liners travel from port to port. “These payments typically need to be made quickly, because the ship is only there for one day before leaving,” he says. “With gpi, the company can now enjoy same day payment and purchase the supplies they need in the country where they are docked. This is not something I had imagined when we first looked into SWIFT gpi.”

Looking forward

Building on its success, a second phase of digital gpi services are planned in the near future to further improve international payments for banks and their clients (see box below). “Requests for cancellation will help banks act promptly in the case of double payments, wrong payments or at a client’s request,” says Pernigo. “And with rich data, we will be able to provide clients with something that banks can’t offer today – the ability to send remittance documents such as invoices along with payment instructions.”

As such, Pernigo sees gpi as an opportunity not only to benefit the bank’s existing client base, but also to attract new clients. Indeed, he believes that gpi is here to stay – and that banks should be looking closely at how to join the new service, either directly or indirectly. As Pernigo concludes, “In the future, it will be very difficult to say to a client, ‘Sorry but you won’t be able to receive a gpi payment’.”

SWIFT gpi Phase 2: The digital transformation of cross-border payments

In parallel with the roll-out of the first phase of SWIFT gpi, SWIFT is designing additional payment services that will digitally transform cross-border payments, by allowing banks to offer their clients:

- A Rich Payment Data Transfer service: Enabling corporates to transfer rich payment data along with their payments
- A Stop and Recall Payment service: Allowing erroneous payments to be stopped immediately, no matter where they are in the correspondent banking chain
- An International Payment Assistant service: Helping corporates ensure they initiate error-free cross-border payment instructions