

# Swift GPI Is Growing Up

**Banks and payment processors are learning how to use the secure messaging system to facilitate and manage all cross-border payments transactions.**

MAY 12, 2020 | Author: GILLY WRIGHT



Since its debut in 2017, the Swift Global Payments Initiative, better known as Swift gpi, has largely delivered on its promise to make cross-border payments faster, cheaper and more secure. The service transferred \$77 trillion last year, almost double its cross-border total in 2018.

Yet, facilitating payments is the tip of the iceberg compared to the value the system could deliver, some close observers argue. It's "like having a telephone service but no number," says Andy Schmidt, vice president of Retail Banking at consultant CGI.

Before banks and their customers can benefit from real-time rails, payment information needs to be made more usable, Schmidt and others contend. Swift gpi's data capabilities are already giving financial executives "better transparency on foreign exchange rates, transaction fees, amounts sent, confirmation of funds and more," says Adam Needel, principal Solution Leadership manager and Real-Time Payments manager at payment systems provider ACI Worldwide.

Now, with Covid-19 greatly affecting payments and supply chains, corporates are looking for anything that can give them a modicum of control over information and Swift gpi can deliver new services that provide insights targeted to current issues. More visibility into supply-chain management, liquidity or even a hedging strategy can help financial teams make more educated decisions.

"For me, the gpi in itself is not the answer," says Rossana Thomas, vice president of Product Management at Fiserv, a financial-systems technology provider. "But we can see with recent announcements that Swift is looking at how [gpi] can actually do more than just be a secure messaging system," becoming instead "a transaction manager for all cross-border payments."

### **Smarter Payments and Interoperability**

Swift, for instance, is focusing on interoperability between payment rails, which is where ISO 20022—the international standard for electronic data interchange, comprised of metadata containing descriptions of messages and business processes—will become pivotal to the future of payments. Swift has delayed the ISO 20022 migration deadline to the end of 2022, while sticking to a decommissioning deadline for the legacy Swift MT standard in 2025.



**Thomas, Fiserv: [Swift is] looking at how it can actually do more than just being a secure messaging system.**

"If you can drive interoperability on a bank-owned network, then you've got a group that has incentives," says Schmidt. "As we finally get to ISO 20022, it will get interesting. Swift, with its interoperability, will become more valuable and important because everybody will be speaking the same language in essentially the same way, which will help everyone take advantage of the data."

While correspondent banking hasn't exactly been a cutting edge, it's been largely good enough, Schmidt says. Still, as everyone gets better at using data, banks will figure out what new services they can layer on top, such as liquidity management.

By the end of 2020, all financial institutions on Swift will be required to confirm payments to the Swift gpi Tracker, set up to provide end-to-end visibility on the status of a payment transaction. The Tracker helps prevent fraud and mismanagement by allowing banks to stop a payment at any point in the payment chain, sending a notice to all involved parties that it was stopped. "They can recall that payment fairly quickly now, as opposed to the old-fashioned way of trying to get those funds back—contacting everyone to determine where it is before trying to stop it," says Thomas.

Exceptions account for 80% of costs of payment operations and 100% of the risks, says Roland Brandli, a strategic product manager at SmartStream, a global financial-transactions software provider. He estimates that 2% of cross-border payments and 1% of domestic payments fail, adding up to \$21 billion of payments under exception each year in Europe alone.

"It's up to vendors like us and banks to provide the solutions around Swift gpi that can use that information to optimize their process," says Brandli. "We can use the Tracker information to kick off automatic exception management." SmartStream's Advanced Payment Control solution, using Tracker, facilitates an end-to-end exception management process where automation makes it faster and cheaper.

Banks are answering a wake-up call, Brandli says, with Swift gpi playing a bigger role in the new competitive landscape. While Apple Pay and WePay can be used for speedy low-value transactions, they still need to be used in conjunction with credit and debit cards. And unlike bank-to-bank payments, they don't have to do anti-money laundering, Office of Foreign Assets Control and know-your-customer checks because of the credit cards behind them.



**Schmidt, CGI: With ISO 20022 Swift, with its interoperability, will become more valuable and important.**

customers accessing payment statuses," notes Eric Bayle, head of Global Transaction Banking in the UK for Societe Generale Global Transactions and Payments Services. "This has considerably reduced the inquiries burden and delay for both the bank and the customer."

There are other tangible benefits, Bayle adds, such as placing banks in a better position to negotiate payment routes with their counterparties. "While the European and North American banks are usually mature in terms of fee transparency and processing capabilities, some banks aren't at that standard in other parts of the world," he says. "The visibility that gpi gives on every bank in the payment chain helps banks to better negotiate with their partners. This value is shared with the customers, who can optimize both cost and payment execution times end-to-end."

He also predicts a new measurement—a Return of Excellence—where the bank is in the background. A 20-year-old might tell you she is paying with Apple when she uses her mobile, but it isn't Apple—it's a credit card in the bank. "What's really making the difference is the expectations of clients," Brandli says. "Five years ago, if you wanted to do a payment to another country it would take two to three days to get there. And if there was a problem, it would take another two to three days to fix." The crucial role for banks is to provide a seamless and excellent experience in the background.

### **Simplifying Solutions**

The possibility of more-streamlined payment tracking means less stress on banks. "We now have bank staff and



The more partners Swift attracts to integrating gpi into their rails, the more choices financial institutions and corporates will have, according to Needel. As an example, he cites immediate payments, for which Swift is creating its own gpi offering.

Swift gpi Instant is the first step toward making merged payment rails commonplace, he says, tying together high-value and instant-payment schemes to enable global real-time payments alongside real-time transaction insight. "A second example is Swift working with other governing bodies and their schemes, such as the Federal Reserve in the US, to support the transmission of gpi's Unique End-to-End Tracking Reference along its rails."



**Bayle, Societe Generale: We now have bank staff and customers accessing payment statuses. This has considerably reduced the inquiries burden.**

gpi investment by fully leveraging the extra data supplied. This additional data provides transparency on the transaction. And, when coupled with open APIs, enables self-service for the bank's customers."

Banks benefit because they can offer improved customer experience with additional business features, Needel says. Not incidentally, he predicts, they can save 50% on resources previously allocated to fielding customer inquiries.

Bayle looks forward to one day settling a Swift gpi cross-border payment with a domestic instant payment scheme. "Why not have a system where a payment could be issued from an instant payment scheme in one country, transferred into a gpi payment, and settled in another instant payment scheme?"

Whatever solutions Swift gpi facilitates, Needel stresses the necessity of a simple deployment. "Solution providers must offer banks the flexibility to perform smaller technology upgrades while keeping an overall view of the next steps needed," he says. "They should also enable banks to make the most of their