



SWIFT info paper  
October 2020

# SWIFT gpi

## Driving a payments revolution

Cross-border payments are fast, transparent and fully traceable thanks to SWIFT gpi. Now a new phase of innovation is accelerating the transformation.

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# 01

## Executive Summary

A revolution in retail payments has been driven by consumers' desire for instant, secure, ubiquitous payments to meet a variety of non-cash needs in domestic and international markets. Faster payment systems are changing the game by providing close to real-time credit in some 50+ domestic markets. Cross-border faster payment services at a regional level (for example, the Eurosystem's TIPS and EBA Clearing's RT1) and linkages between domestic systems, are adding to the dynamism of this sector. For in-person transactions, bank cards and mobile payments are now widely accepted in stores, ATMs and transport networks world-wide, regardless of their country of issue.

In parallel, wholesale payments (payments made between financial institutions and large corporations and trading partners) have undergone an equally dramatic transformation, thanks to a market-wide initiative by SWIFT and its member banks known as SWIFT Global Payments Innovation (gpi). gpi payments deliver same-day use of funds<sup>1</sup>, end-to-end tracking and final confirmation of credit – together with full transparency on fees charged. Since its inception in 2017, gpi has seen rapid adoption for cross-border payments. At the same time, strong growth in its use for domestic payments and for increasingly lower value transactions proves the service is well-matched to the needs of the future

Cross-border payments – that originate in one jurisdiction and are credited to an account in a different one – are more complex than domestic transactions. They may cross time-zones, be subject to local currency controls, documentary requirements and compliance checks, or encounter legacy domestic banking infrastructure (for example, batch processing). These factors add friction and can lead to significant delays, costly repairs and uncertainty about final receipt of funds.

In this paper, we will show how SWIFT and its community have worked together to tackle many of the key frictions inherent in cross-border transactions and have already made payments faster, fully traceable and transparent through gpi. Building on this success, a new phase of innovation, as outlined in SWIFT's new strategy for comprehensive transaction management services, will harness technology advances to deliver the next levels of speed and efficiency, while maintaining strong focus on security, risk and control.

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<sup>1</sup> Within the time zone of the receiving gpi member

## What is SWIFT gpi

SWIFT gpi is the new standard in global payments. Using gpi, financial institutions and corporations can send/receive funds quickly and securely between accounts anywhere in the world, with full transparency over where a payment is at any given moment – all enabled through easy-to-use digital tools.

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### SWIFT gpi is built on three key innovations

**1** Every gpi payment carries a unique end-to-end transaction identifier (**UETR**) in the message header. This allows the payment to be traced from sender through correspondents to the ultimate beneficiary account with no loss of data.

**2** **The gpi Tracker** traces payments along their route and reports the status of messages on demand. The Tracker can be easily integrated into customer channels using APIs.

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**3** **A new cross-border service level convention**

Participating banks commit to processing payments in tight timeframes, which are tracked and visible to their correspondents and respondents. Full visibility on fees is provided. Remittance data is passed on with no loss of information.

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### gpi is the new normal in cross-border payments

gpi has seen rapid acceptance, with almost 4,000 financial institutions, and 80 market infrastructures currently enabled. In 2019 gpi payments worth US\$77 trillion were processed, representing 65% of all cross-border (MT 103) messages sent over SWIFT.

Thanks to its benefits and ease-of-use, gpi is now also seeing strong take-up in domestic wholesale and retail markets.

# 02

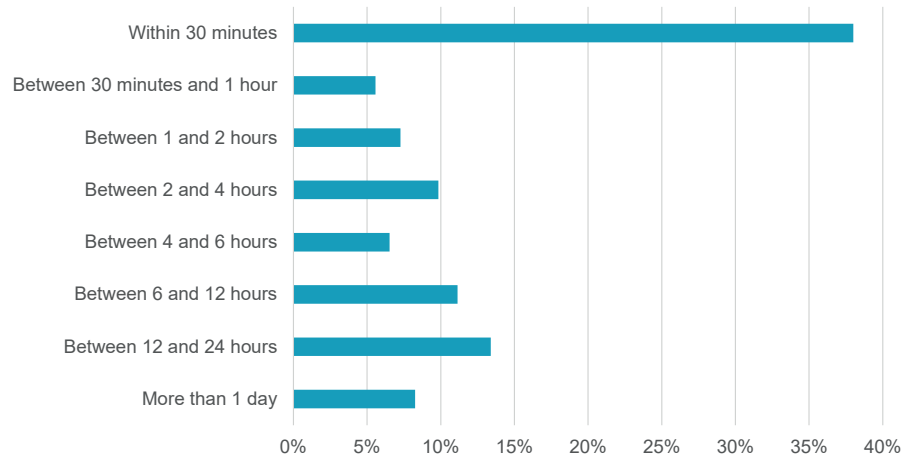
## Cross-border payments: the real story revealed

The UETR enables each individual gpi payment to be tracked end-to-end along its journey. By aggregating and analysing historic UETR data, valuable insights can be gained into performance and flows at institutional or community level<sup>2</sup>. By taking a deep-dive into recent data using new analysis<sup>3</sup>, we can reveal how gpi is transforming global cross-border payments.

### 1 gpi payments are fast

The gpi promise is for same day use of funds, within the time-zone of the receiving gpi member. Indeed, 92% of gpi cross-border payments are credited to the beneficiary's account within 24 hours, while 38% reach their final destination within just 30 minutes. That additional speed really matters to beneficiaries: for companies, faster receipt of funds translates directly to the bottom-line through improved liquidity and inventory management – and a more competitive edge.

All cross-border transactions on SWIFT confirmed in the gpi Tracker



Looking more closely into cross-border flows, we can see that local currency controls are the single biggest brake on the speed of delivery. When we exclude countries with regulatory barriers and capital controls from our analysis, then close to 50% of gpi payments arrive in under 30 minutes. For transactions between mature markets, with none of the frictions of currency controls, legacy systems or compliance stops, it gets better still: for example, 72% of gpi payments from the United Kingdom to the United States arrive within 30 minutes and 95% arrive within 6 hours. This is comparable with domestic payment systems in many countries.

<sup>2</sup> Available through SWIFT gpi Observer Analytics business intelligence solution

<sup>3</sup> Analysis of UETR data from Q2 2020, unless otherwise stated

## 2 Fully transparent and predictable

When purchasing goods and services, we expect certainty on price and delivery – and payments are no different. gpi delivers on this, with the ability to track each payment using the tracker and see a clear statement of fees along the way.

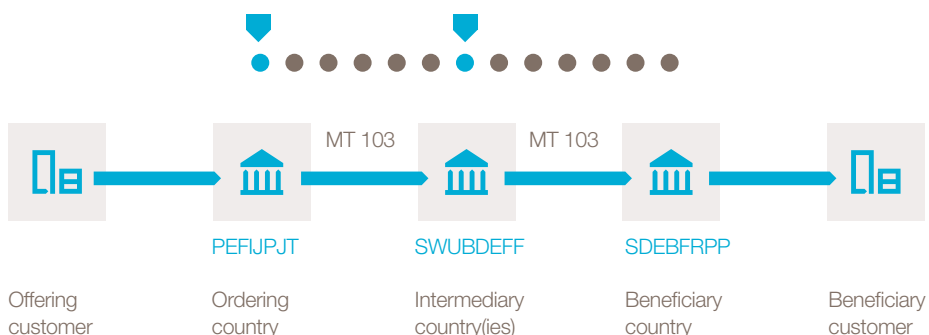
Confirmation of credit to the beneficiary will be mandatory for all cross-border (MT 103) messages from November this year, showing that a payment has been credited to a beneficiary's account, transferred to a domestic or other payment system, or is on hold. This is an important and transformational milestone. Already, 48% by volume and 56% by value of cross-border payments are confirmed by the beneficiary.

Ensuring payments can be immediately recognised and automatically reconciled is another important aspect of delivering fast and with transparency. With gpi, remittance information must be carried with the message, so end-users are always able to associate a payment with an invoice or other detail.

## 3 gpi payments are supporting international trade and capital flows

New data reflects how gpi is supporting flows across the major trading routes and financial centres for capital markets. Correspondent banks play a critical role here by facilitating reach to all the markets and end-beneficiaries required to fuel global commerce. Before the UETR, we counted 9,000 payments corridors; now the UETR data tells the full story of the needs of the global economy and shows exactly how payments support trade – from where the transaction originates, through which route it travels and where it ends up. In July 2020, for example, payments travelled via about 33,000 different end-to-end routes.

A unique end-to-end tracking identifier is included in the header of the payment message and carried across the payments route up until the beneficiary bank.

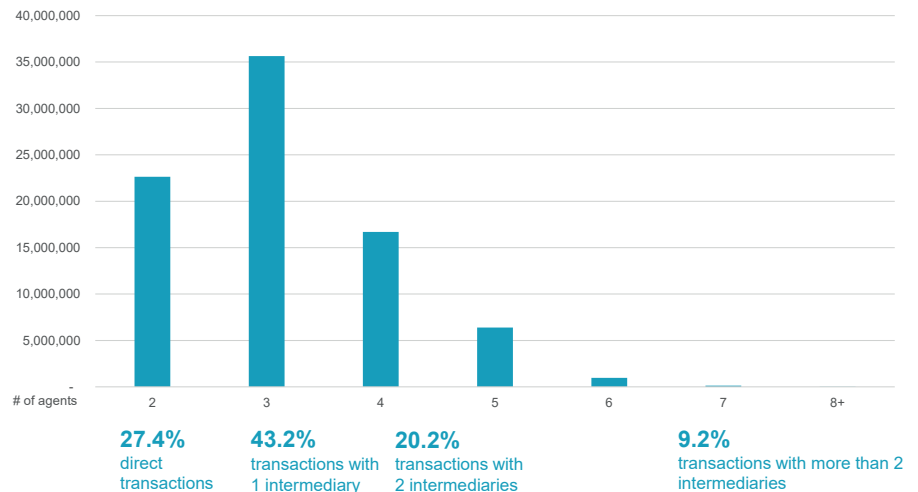


#### 4 Fewer intermediaries than expected, no impact on speed

And yet the data shows that correspondent chains for cross-border payments are surprisingly short, and that the number of intermediaries also has little impact on speed of delivery<sup>4</sup>.

70% of cross-border payments are either direct or have only one intermediary.

Number of agents in the payment chain on SWIFT



In most cases, the intermediary bank is located in a third country from the ordering or beneficiary country, facilitating trade and settlement in a third currency – for example, for commodities that are priced in US dollars.

Where we see higher numbers of intermediaries, these are generally accounted for by large volumes of intra-group payments, routes encountering legacy systems, or alternatively, mature corridors carrying capital market flows.

#### 5 gpi is rapidly being adopted for domestic and lower value consumer payments as well

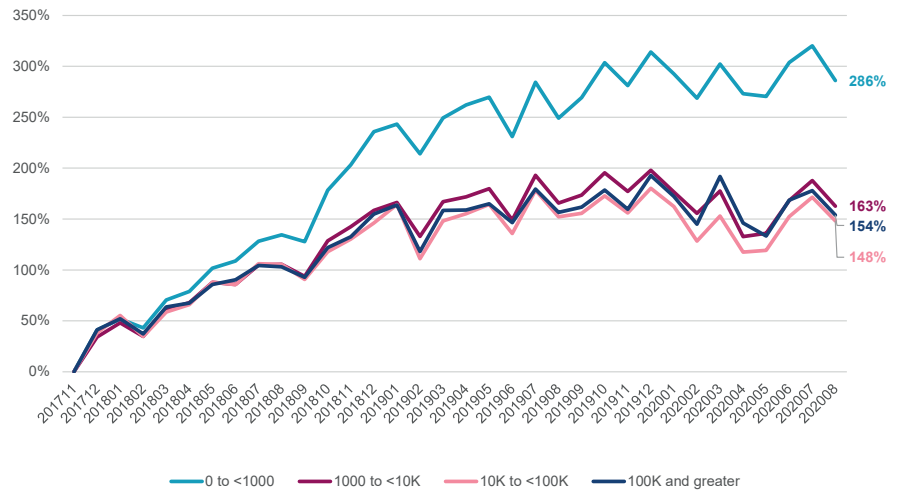
gpi payments are increasingly being adopted for domestic and retail payments, underlining gpi's success in meeting the needs of today's markets. Since the advent of faster/instant payment systems, speed has become a given for domestic transactions. gpi often matches this - but in addition offers transparency via the Tracker and the all-important confirmation of payment. The ongoing convergence between domestic and international payments is evident from SWIFT data. Up to 35% of cross-border payments have at least one leg in a domestic clearing and about 1/5th of gpi payments are direct domestic payments.

<sup>4</sup> Regression analysis of seven days in July 2020 selected at random

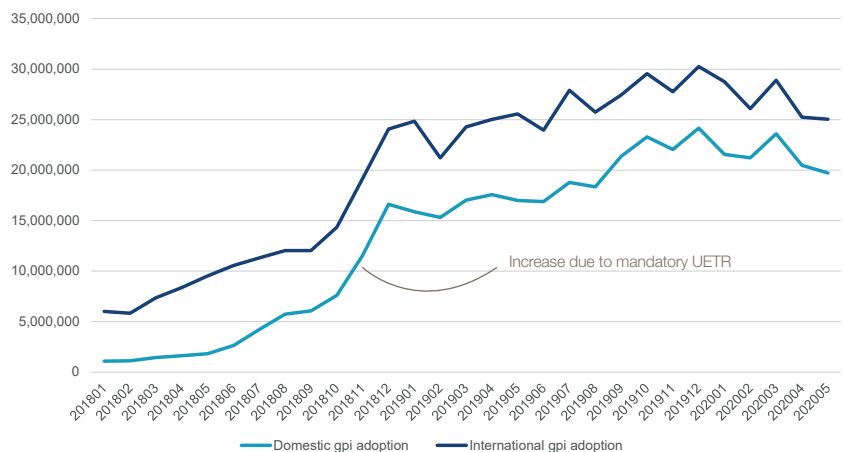
Links are being forged between gpi and domestic/regional systems that are streamlining payments account-to-account. For example, last year we launched a new cross-border instant payments service, powered by gpi, which enables domestic market infrastructures with instant payment schemes to connect to the gpi Tracker. And we have successfully trialed gpi payments connectivity with The European Central Bank's TARGET instant payment settlement (TIPS) and into Singapore's FAST domestic instant payments system.

Another strong theme in the data is that gpi is delivering effective solutions for lower value, cross-border retail (as opposed to wholesale) payments. This is by far the fastest growing value segment on gpi. As an example, several Chinese banks have used gpi to build a service offering fast, sure and confirmed payment of US college fees. We expect these types of remittance and other services to continue to grow.

Low value payments fastest growing segment on gpi



gpi increasingly used for domestic payments





6

**Understanding remaining frictions is the first step to resolving them**

It is now well-established that gpi is effective in delivering speed, removing uncertainty and reducing delays in cross-border transactions. A great deal has been achieved but there is still more to be done by all participants in the ecosystem.

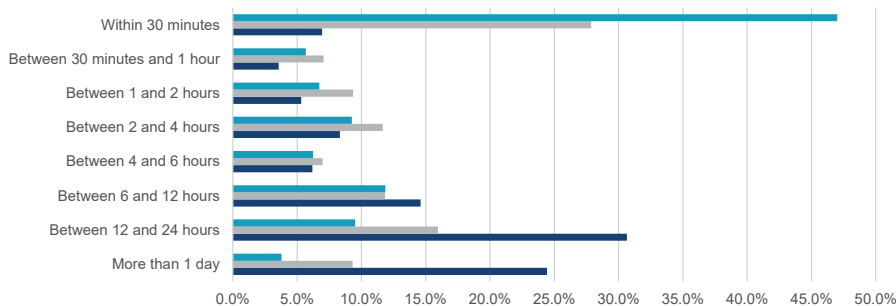
As mentioned above, our data has shown that regulatory barriers and capital controls are the most significant friction impacting speed and seamless delivery. Clearly, these are the domain of local regulators and the banking industry cannot solve this issue alone. What the industry can do though, is speed up responsiveness to requests for documentation and try to smooth the path through the process.

Similarly, time zone differences contribute to delays; analysis of the data shows that payments following the sun arrive more quickly than those travelling against local operating hours. While people across the globe will certainly continue to work and sleep at different times, technology improvements including enhanced straight-through processing and 24/7 real-time operating capabilities will reduce the impact of time-zones on payment delivery. Improved data standards, notably ISO 20022, will greatly ease the flow and hand-off of data across the global payments eco-system and facilitate automation. Here, gpi and SWIFT will play a large part. Industry-wide migration to ISO 20022 messaging for all cross-border and cash management messages is scheduled to commence from the end of 2022.

In a world experiencing high levels of financial crime, Compliance-based queries also represent a significant block on the speed of cross-border payments. When it comes to preventing fraudulent transactions, or stopping funds flowing to a sanctioned individual or jurisdiction, compliance must not be sacrificed to speed. But by incrementally harnessing technologies like artificial intelligence we can continue to streamline and strengthen transaction screening. This is an area where SWIFT is already playing an important role – providing mutual, non-competitive services for Know Your Customer, sanctions screening and reference data checking that spread the costs of development for the industry – and in which we are exploring going further over the next two years.

Impact of regulatory barriers and capital controls on transaction speed

- Payments including countries with **no** regulatory barriers and capital controls
- Payments including countries with **limited** regulatory barriers and capital controls
- Payments including countries with **significant** regulatory barriers and capital controls



# 03

## A new strategy and platform for transformation

In just three short years, gpi has revolutionized cross-border payments. And from that strong foundation, SWIFT is now making another leap forward that will deliver fundamental transformation of the payments landscape. We have announced a major new strategy and platform transformation plan that will help financial institutions to accelerate growth in international payments and securities transactions through end-to-end transaction management. We will do this by moving to a transaction management model that puts business transactions at the centre, while retaining messaging services. Rich data services and automation will help to reduce costs and deliver efficiency, transforming processing for all payment and securities transactions. The result: instant, frictionless and transparent flows, account-to-account, anywhere in the world.

### **Delivering fully-orchestrated payments processing**

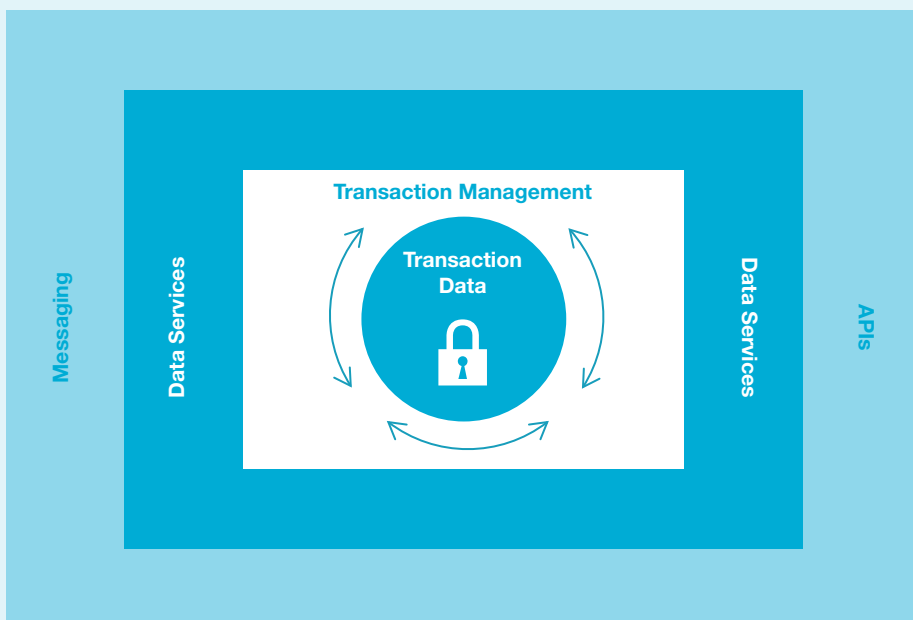
The new platform will maintain a shared, complete and definitive representation of each business transaction that cannot be corrupted, and will orchestrate the interactions of banks and other participants in the transaction chain to minimise friction, optimise speed and provide end-to-end integrity. To do this, it will mediate between users of different protocols and formats.

ISO 20022, with its rich, structured data dictionary, will be the foundation for SWIFT's enhanced platform, enabling increased automation, more effective compliance, faster reconciliation and a better payments experience for customers. We will build on our established competencies in providing common, mutualised data services to reduce costs that are typically carried by each bank individually. Services such as pre-validation of essential data, fraud detection, data analytics, transaction tracking and exception case management will all be capable of interacting instantly and seamlessly with the business transaction – and increasingly, these services will become predictive rather than post-event. We will also evaluate going deeper into screening services. Importantly, the new platform will be backward compatible, enabling customers to go at their own pace and ensuring current investments are future-proofed. For example, during ISO 20022 migration, individual financial institutions' schedules will not impact others, reducing possible disruption.

While the platform will be developed and delivered over the next two years, many of the building blocks are already in place, such as our state-of-the-art API capability, our customer security programme and, of course, gpi.

## The platform

Our platform will evolve to manage transactions end-to-end and deliver new capabilities



**A state of the art platform with rich data**

**... unlocks business benefits for the community**

### **End-to-end transaction integrity**

– access to a shared, complete and definitive representation of each business transaction

### **Ability to compete more effectively**

with differentiated services based on low friction, efficiency and global reach

### **Backward compatibility** –

messaging and APIs will co-exist and interoperate. Customers will be able to adopt at their own pace

### **Provide better services to end customers**

with end-to-end transparency, predictability, and rich data

### **Rich and open ecosystem** –

bringing together data services in one managed place, making it easier to access mutualised services

### **Extend services into new market segments**

leveraging new capabilities

### **Reduce cost and investment levels**

with easier access to mutualised platform and data services

# 04

## A continuing story of responsible innovation

We are already building out functionality with pre- and post-transaction services to help address the frictions remaining in cross-border payments and to continue to reduce risk. This means that we can begin to deliver immediate and incremental benefits. We are leveraging our API and cloud-based expertise to make these services fast, dynamic and easy for users to integrate.

This year, our pre-validation service will launch, enabling banks that are already gpi enabled to check beneficiary account information with the ultimate receiving bank before a payment is initiated, so that any missing or incorrect information can be immediately corrected and delays (and costs) avoided. The service uses real-time API calls between banks to make for seamless and fast performance.

And when post-transaction problems occur, the case resolution service enables gpi banks to interrogate the Tracker in-flight, in the cloud, to spot and resolve issues which otherwise are time-consuming and costly to investigate.

Leveraging these new services and the strength of gpi, we will help financial institutions further enhance their offerings to small and mid-sized businesses and retail customers. We are developing a new service that will enable financial institutions to offer easy, predictable and low-cost cross-border payments for SMEs and consumers.

We are also working on new services for corporations, including inbound tracking of transactions and corporate to bank APIs.

# 05

## **Conclusion: Accelerating transformation to support the industry**

gpi is now the first choice for cross-border payments and shows what can be achieved through industry collaboration. But there is still more to do, and this is why SWIFT's new strategy is so timely.

In a very challenging environment, financial institutions have to be responsive to new conditions and market opportunities, able to connect seamlessly across ecosystems and ready to build a presence in high-growth segments, such as SME and consumer payments.

And they must always keep the customer experience at the heart of everything they do.

At the same time, they need to be able to reduce costs, future-proof their technology investments and reduce dependency on major migrations. By moving to fully-orchestrated transaction management, supported by rich data services, SWIFT will help financial institutions get the benefits of a transformed, seamless and friction-free payments landscape while reducing costs and increasing efficiency for themselves and their customers.



## **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 regulatory 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. While SWIFT does not hold funds or manage accounts on behalf of customers, we enable our global community of users to communicate securely, exchanging standardised financial messages in a reliable way, thereby supporting global and local financial flows, as well as trade and commerce all around the world.

As their trusted provider, we relentlessly pursue operational excellence; we support our community in addressing cyber threats; and we continually seek ways to lower costs, reduce risks and eliminate operational inefficiencies. Our products and services support our community's access and integration, business intelligence, reference data and financial crime compliance needs. SWIFT also brings the financial community together – at global, regional and local levels – to shape market practice, define standards and debate issues of mutual interest or concern.

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

For more information about SWIFT, visit [www.swift.com](http://www.swift.com).