

SWIFT gpi: transforming global payments

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Co-hosts:

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Jonathon: [00:00](#) You're listening to the Treasury Insights Podcast. This podcast is part of our broader objective to foster a treasury relationship that prepares you for the future, supports more strategic decision making, creates efficiencies and helps manage risk. Put another way, we want to give you the power to see what's next. Customer expectations around sending and receiving global payments have dramatically shifted in the past few years. Whether you're a financial institution or a corporate client, real time access and data visibility is key across relevant customer facing channels. I'm Jonathon Traer-Clark, Managing Director, GTS, and with me is Stephanie Wolf, Global Head of Financial Services Companies and Governments for GTS, and David Scola, Chief Executive of the Americas, UK and Ireland at SWIFT. Our hosts will discuss the current challenges with cross border payments, and how the customer experience and operational workflows are enhanced with SWIFT Global Payment Innovation also known as SWIFT gpi. Stephanie, David, thank you for joining me. Stephanie, let's start with you. What are some of the challenges clients have when sending and receiving cross border payments?

Stephanie: [01:20](#) It's a great question. You have to think, why has a client chosen to send a cross border payment? Well, because they want to ensure a certain amount of funds gets to an end beneficiary in the currency that is designated in the expected amount of time. There were a couple of things embedded in there. Is it the amount that the sender intended to send or is it some other amount? The currency, is it in the currency that the beneficiary expects to receive? And last but not least, what about the timing? Do the funds arrive at their destination at the time you expected them to? All three of these issues pose challenges because, I have to tell you, sometimes the end amount, the beneficiary gets is not what was expected. Sometimes the currency, the beneficiary receives is not the currency that they'd hoped the funds would arrive in. And last but not least, sometimes the funds don't come when you expect them. So all three of these issues pose challenges.

Jonathon: [02:37](#) Just to recap, so you're saying, we're looking for certainty of amount, a certainty of currency and in a timely fashion, one that we would expect the funds to sort of arrive in. I guess that kind of brings us to the point. We started at the beginning talking about how that could impact customer experience and the workflows associated with that. I mean, so how does this cause problems for our clients?

- Stephanie: [02:59](#) In sending a cross border payment, I'm looking at the sender. The sender gets inquiries from the beneficiary. Where's my money? Why didn't I get as much as I want it? Why is it in Euro instead of dollar? Those are the problems the clients are impacted by because every inquiry of this nature involves time. It involves multiple phone calls, emails, logging on to systems to check. All of this breaks the day of the treasury department of the sender, and causes them to try to understand why a payment didn't arrive when it was supposed to in the amount it was supposed to arrive.
- Jonathon: [03:46](#) Thank you. You make an interesting observation there. Obviously there's the time that our clients lose both the beneficiary and the sender, but also there's the time we lose as counter parties within the finance system having to go through tracing the funds to. Is that fair?
- Stephanie: [04:01](#) That's fair, and, and bear in mind, Jonathan, it, isn't always a direct route from sender to beneficiary. We have participants that we count on across the globe who help us carry, if you think about a relay race, carry the baton to its final destination. So it's not always just Bank of America.
- Jonathon: [04:32](#) Thank you. And David, it's also true to say that this problem is getting bigger because the volumes of payment flows across the world are actually becoming larger as well. Correct?
- David: [04:42](#) You're absolutely right. We're seeing a trend going through SWIFT, and the types of transactional activity that we're carrying, inclusive of in many cases, e-commerce type transactions. So you are seeing the numbers increased pretty dramatically and value as well. You're absolutely correct in pointing that out.
- Jonathon: [05:01](#) So maybe at this point, how does SWIFT gpi help us solve some of these issues and challenges that we've laid out?
- David: [05:09](#) So for the uninitiated, gpi is kind of an Amazon tracking reference or a FedEx tracking reference, but applied to payments. So in the past, the world that Stephanie outlined had very little transparency, right? You had these payments going out the door; you didn't know how much was going to come out the other end. You didn't know how many hops it was going to make along the way. You didn't know what effects rate was going to be applied or when it was going to be credited. What gpi has done is brought an increased level of transparency, efficiency, and speed to international payments process. So you can now see where in the process you were payment sits. What's the value of the payment that's going to come out the other end? In many cases, you can see the foreign exchange rate that's been applied. So it gives that same level of transparency that I think consumers have been become accustomed to in their daily lives, when they have a retail experience on something like an Amazon. When you can expect your goods and in the same way, you know when you can

expect your payment.

- Jonathon: [06:14](#) I like the analogy. Being able to track and trace a parcel, there's no different in this case to providing greater transparency with the payment systems. Can I presume the beneficiary can track it as much as the sender, right?
- David: [06:27](#) That's correct. Both the sender and the end beneficiary can track almost instant access and awareness of where the transaction sits. The number of hops that a payment makes, the fees that are applied, the speed in which the payment makes its journey, all of those are improving. And I think in reality, it's also dispelled this thought that international payments took days to process. In fact, we're seeing about half the transactions going through gpi today are now being processed within 30 minutes, which is analogous to what we see in a lot of domestic payment systems. That helps to dispel this rumor that international payments are slow and full of flaws. Some of that efficiency can be attributed to the transparency that the gpi has brought to the process.
- Stephanie: [07:13](#) If I could jump in there and give you a perfect example. If I were to send a payment and let's say, I'm going to do it on Friday afternoon at 4:00 PM, let's call it, Central Standard Time in the United States. And let's say I'm sending it to Switzerland. I'm going to press the button and I'm going to send it. And I'm going to have someone say to me, my beneficiary, I haven't received it. Where is it? Well, what happened is when I pressed send in my time zone; it arrived at the Swiss bank when everybody's gone home for the weekend. Of course, the end beneficiary may not see that payment, if let's say it hasn't yet been credited to their end account. They aren't going to see it until the beneficiary bank posts that payment. And what if there's a holiday on Monday? If you think about someone feeling as if there hasn't been a speedy, efficient delivery of a payment, in fact, is the simple matter of their opening and closing hours, and not all institutions are 24/7, 365 days a year. And not all payments are posted to the end beneficiary account immediately.
- David: [8:42](#) I think it's a great point. And just to add to that, I think it's also shown where there are jurisdictional issues at play. There are a number of currencies for instance, that are very closely monitored by their central banks. The FX process is highly monitored and needs to be approved by a government office. And in those cases we see the transactional processes taking much longer. About 10 to 15% of the transactional activity we see going through gpi takes longer than six hours. In almost every case, it's attributable to closing hours, as Stephanie just referenced, or it's attributable to foreign exchange controls that are being applied at the beneficiary end of the cycle.
- Jonathon: [09:23](#) David, give us a little bit more insight from your perspective around

opening hours, if you like, what it's like to in country, et cetera, how does that affect the system?

- David: [09:33](#) There not a lot of banks around the world that are operating 24/7. A lot of the bigger banks are, and ironically, a lot of the smaller newer banks are as well. But I think those that have back office systems that require downtime to run batch processing, still aren't able to, to run a full 24/7 process, so that obviously causes some issues. I think the foreign exchange controls that are applied in many jurisdictions also serve to slow down payments processes. And I think it's indicative of the enhanced level of complexity associated with a cross border payment. You're not dealing with the U.S. dollar to U.S. dollar transactions. In many cases, there's multiple currencies that need to be gone through to get to the end beneficiary currency. That adds quite a bit of time and nuance to the process. Not to mention the sanction screening and know your client processes that all banks need to run when they're processing an international payment, adds another level of timing and complexity and inefficiency, and all of those contribute to a slowdown in the end payment.
- Jonathon: [10:37](#) It's also true that you've also got to reconcile between country systems, right?
- David: [10:41](#) You're right in that we are dealing with Real Fiat currency, so central banks are at the end, ultimately of the processes. But because the central banks tend to be settling on a net basis rather than on the gross basis. It's not an individual payment basis that end of day reconciliation does not tend to factor into the individual payments settlement process. But where a central bank may add some inefficiency to the processes is, as I said, with the foreign exchange controls, which is ultimately an exertion of monetary policy, right, and an extension of central bank operations.
- Jonathon: [11:17](#) We're also touching on the fact that SWIFT is in fact a global network. SWIFT extends everywhere across the globe. So, this presumably gpi has the same coverage?
- David: [11:26](#) In fact, there are 33,000 individual corridors we have seen process through gpi and that goes to the point that Stephanie was making before, around there being multiple hops in a chain. So we touch every economy on the planet. We are even extending to linking individual domestic payment systems to each other to try and make the process even faster and kind of facilitate things even more.
- Jonathon: [11:54](#) Thank you, David, and Stephanie, we've established, it's a global network. It provides a great deal of transparency. It's very easy for both the beneficiary and the sender to understand where the transaction is across global networks and global clearing systems. Are there any other

benefits if you like for corporate clients and then obviously the financial institution clients as well?

- Stephanie: [12:14](#) Well, one thing we haven't talked about is how does the sender actually see this vast wealth of information that both David and I have been talking about? How does the sender see it? Because not all of our clients, not even the largest, most sophisticated clients are part of the SWIFT network. Many of them engage with SWIFT via an intermediary. So it's up to banks like Bank of America to provide a window between SWIFT and senders, who are not part of SWIFT. We use our internet portal, CashPro. I think you, and many of us know it is much, much more than that, but we use CashPro to allow our clients to have a lens into the information that gpi provides. Starting in November, any of our senders, whether it be a small company, whether it be a not-for-profit agency, whether it be a global multinational, corporate, or a financial institution, will be able to log into CashPro, and they will be able to see through our window into all of the information that gpi provides. That's a missing link because unless banks, like ourselves, provide the window, many of our clients aren't going to be able to see all of the information that gpi allows them to see.
- Jonathon: [13:52](#) Thank you for that. And that actually kind of made me think about how clients take advantage of the enhancements. I like that expression. It's the window into this world that clients can look through and inquire on. But if I'm a client, how do I go about making a payment that takes advantage of all of this?
- Stephanie: [14:06](#) All you have to do with Bank of America is send a wire. We do the rest. All of the payments that leave our shop go through the gpi system. With respect to currencies, U.S. dollar is the predominant currency that most of Bank of America's wires are executed in. And at this point in time, U.S. dollar is the window, the lens we are giving our clients; we will turn on other currencies over time.
- David: [14:40](#) And just to add, Bank of America is not alone in that the 80% of the traffic going through SWIFT is indeed U.S. dollar. Having U.S. dollar enabled is the primary objective for most institutions going live on gpi. I also want to add that while not every bank on the SWIFT network is gpi enabled. Every bank will be required to provide confirmation of receipt via gpi in the very near future. That universal confirmation, as we call it, will at least allow even those banks that aren't participant in gpi to confirm to the remitting payer that the payment has been received and credited to the end beneficiary account. So we're really trying to drive as much ubiquity for gpi across the network as possible. We're already at about 80% of all of our payments by value. We're just focused on driving that to, to the end a hundred percent.

- Jonathon: [15:36](#) That's great. Stephanie, if I may come back to you. If I'm a client that connects through a host or host gateway, or have my own SWIFT ID or something else, do I still get access to the same benefits?
- Stephanie: [15:47](#) Absolutely. One of the things about that unique transaction identifier is one that will enable a participant in that wire to view all information about the wire. The tracking number is the key.
- Jonathon: [16:06](#) Fantastic! David coming back to you, you mentioned that 80% of the traffic flow through the SWIFT network is currently U.S. dollars. Are you able to give us an insight?
- David: [16:16](#) To be clear, there is no currency limitation on gpi today. The 80% of traffic going through the SWIFT network being U.S. dollar based is gpi or non gpi, right? And in fact, that correlates almost exactly to more macro statistics around global trade being conducted in U.S. dollars. So the US dollar tends to be the preponderance of the gpi traffic is more just because it's the proponents of international trade.
- Jonathon: [16:44](#) Stephanie, David, I think we'll leave it there, but thank you very, very much for your insights. We know we're going to hear more about this topic in the future, particularly as you said, Stephanie, with those future developments. Thank you both for joining me.
- David: [16:57](#) Thank you, Jonathan. Thank you, Stephanie, for the opportunity. Appreciate it.
- Stephanie: [17:00](#) Thank you both as well.
- Jonathon: [17:02](#) You've been listening to Treasury Insights. I'm Jonathon Traer-Clark, Managing Director of GTS, and with me is Stephanie Wolf, Global Head of Financial Services Companies and Governments for GTS, and David Scola, Chief Executive of the Americas, UK and Ireland at SWIFT. As each day brings innovation and opportunity, we are dedicated to working with you to turn technological advances into intelligent treasury.

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