



Modern global trends and initiatives in the area of transactional banking (global payments innovation – gpi & instant payments initiatives)

NEW TRENDS IN FINANCIAL TECHNOLOGIES:
BLOCKCHAIN, CRYPTOCURRENCIES AND
SECURITY

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SWIFTgpi

17th of May 2018

SWIFT GPI AND INSTANT PAYMENTS: PART OF THE GLOBAL TRANSFORMATION

Global Payments Innovation (gpi)

- ✓ Cross-border payments
- ✓ Correspondent banking space
- ✓ Multi-currency
- ✓ Not real-time (yet!)
- ✓ Corporate segment (to begin with)



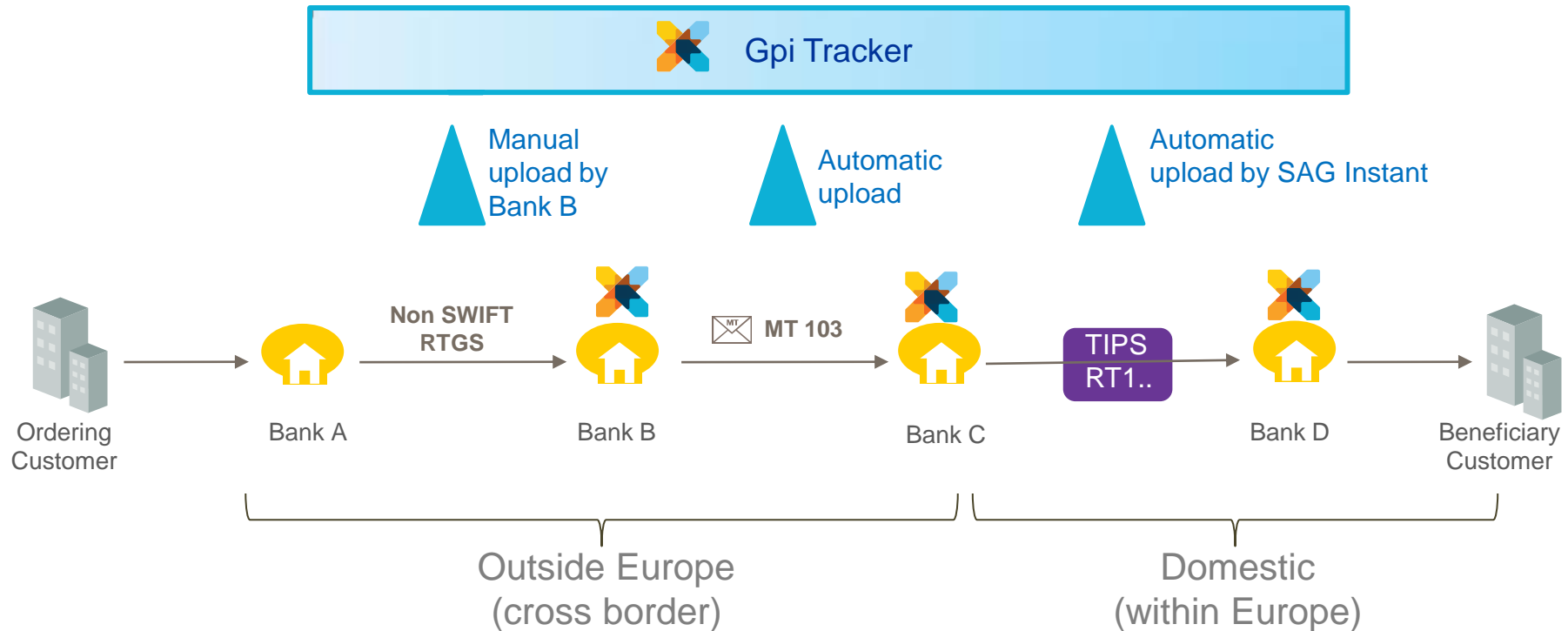
Instant Payments

- ✓ Domestic payments
- ✓ ACH, cards, cash... space
- ✓ Single currency area (usually)
- ✓ Real-time
- ✓ Retail segment (to begin with)

The entire payments landscape is changing. Common challenges affect the whole value chain and players such as global transaction banks, regional or local retail banks, payment service providers, payment market infrastructures, corporates, FinTechs & RegTechs, technical providers etc.

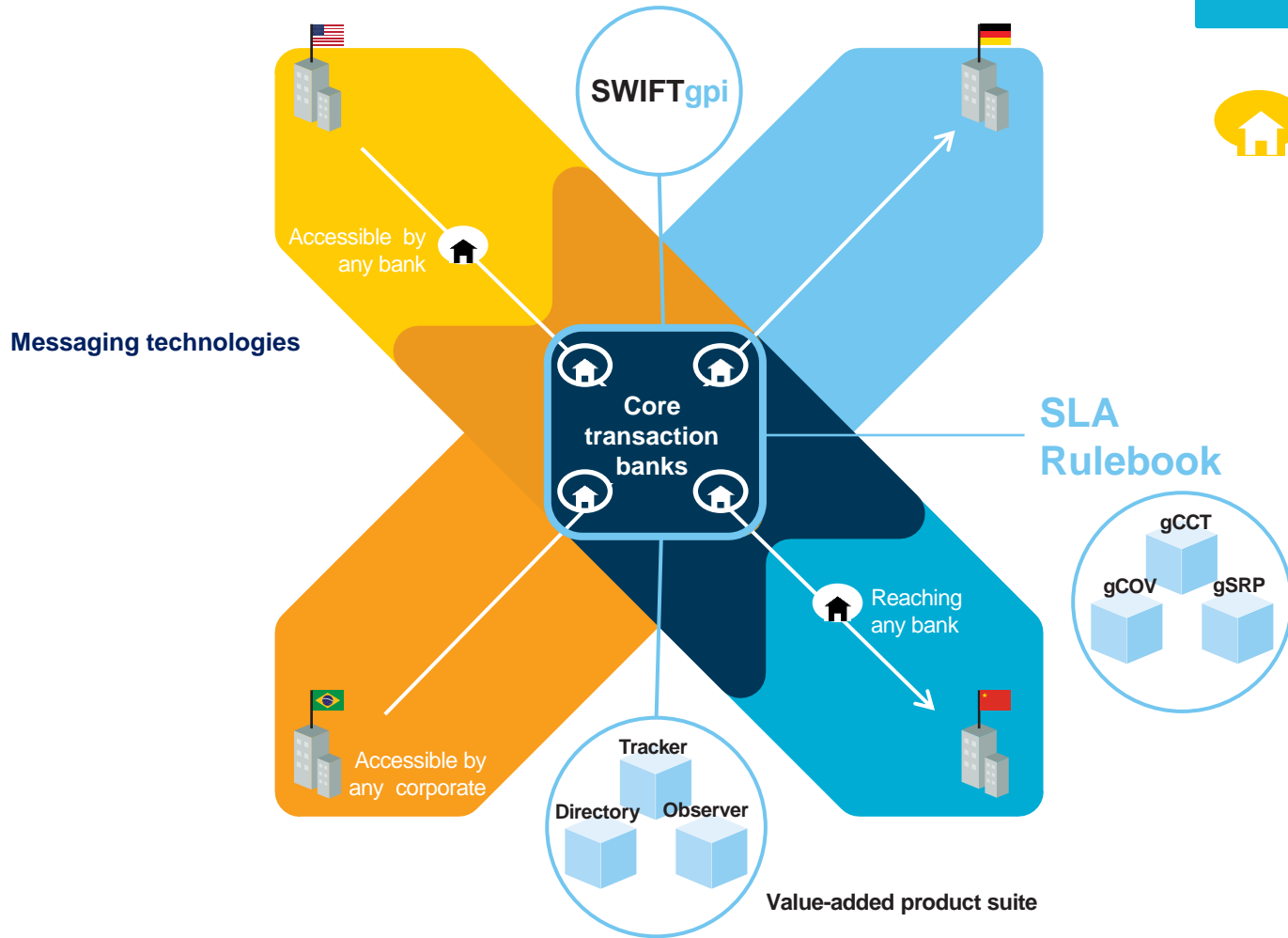
CROSS BORDER PAYMENT USING IP IN EUROPE

ILLUSTRATION



Conclusions: the 1st or last leg of a cross border gpi transaction could go through an IP CSM in the medium term (facilitated when ISO 20022 used in many-to-many...). In the future, we foresee that SAG Instant could facilitate the upload of payments information onto the Tracker.

TIME FOR SWIFT GPI



A unique end-to-end tracking number is included in the header of the MT 103 and carried across the payments route up until the beneficiary bank



SWIFT global payments innovation (gpi)

- Faster, same day* use of funds
- Transparency of fees
- End-to-end payments tracking
- Remittance information transferred unaltered

(* within the timezone of the receiving gpi member)



Key features: The SWIFT gpi Tracker

Function

End-to-end payments tracking database to monitor progress of a gpi payment

Benefits

Allowing to track a payment's path in real time, obtain transparency on deducts and confirmation that payment was credited

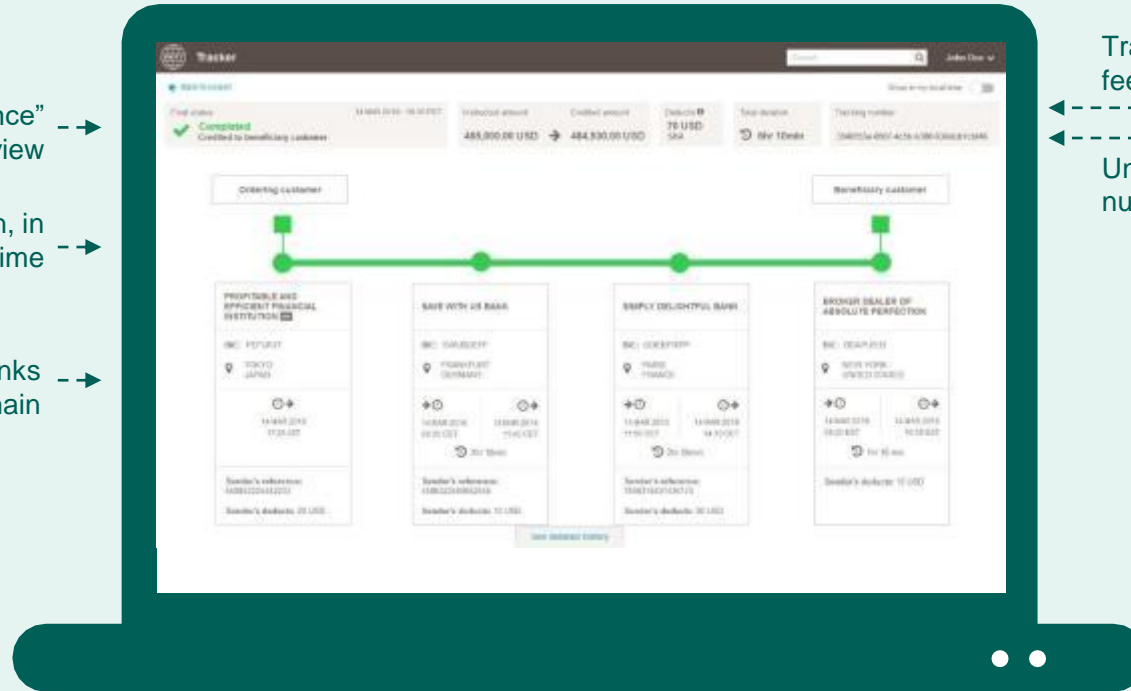
Availability

MT 199 / API: Today

"One-glance" status overview →

Track path, in real time →

Details of banks along the chain →



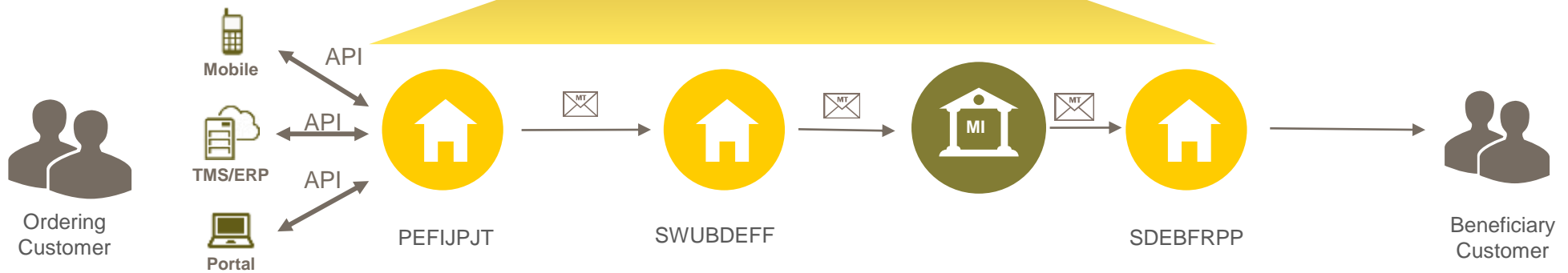
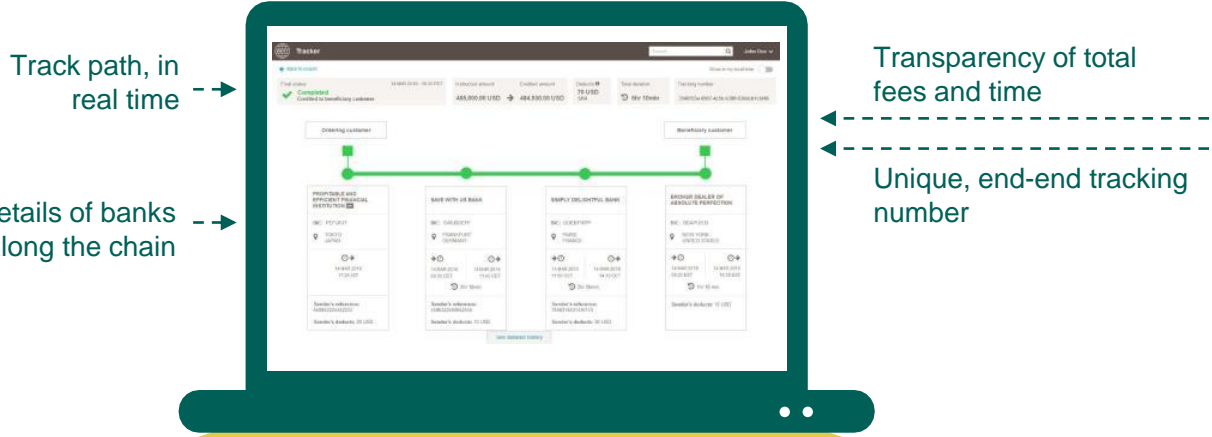
Transparency of total fees and time

Unique, end-end tracking number

- Central payments database, hosted at SWIFT
- Updated via MT199 or API
- Data consumption via GUI, via MT199 (push) or via API (pull)

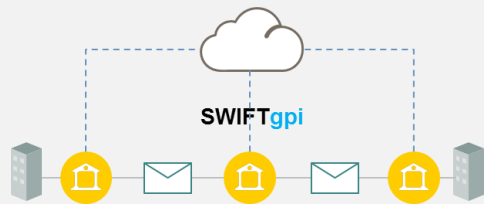
The gpi payments Tracker

Central payments database,
hosted at SWIFT and directly updated
and consulted by gpi member banks (via MT199 or APIs)



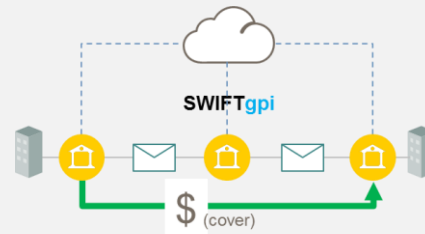
A unique end-to-end tracking number
Is carried across the payments route.

gCCT



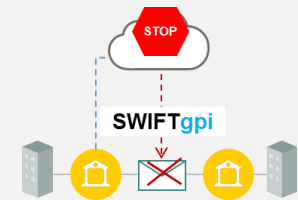
Faster, transparent and traceable customer payments

gCOV



Enable tracking of cover flows related to underlying gpi transactions

gSRP



Instantly stop unsolicited payments (double payments, fraud)

Since launch in January 2017, gpi has seen rapid adoption

Very large community

160+

banks committed to implement,
48 top 50 banks signed

200+

countries covered

78+%

SWIFT cross-border payments
represented

Millions live payments

47

banks live
29 top 50 banks

17+ Mio

gpi payments since go live
160K payments/day

350+

country corridors

22+%

cross-border MT103
sent as gpi

Delivering real value

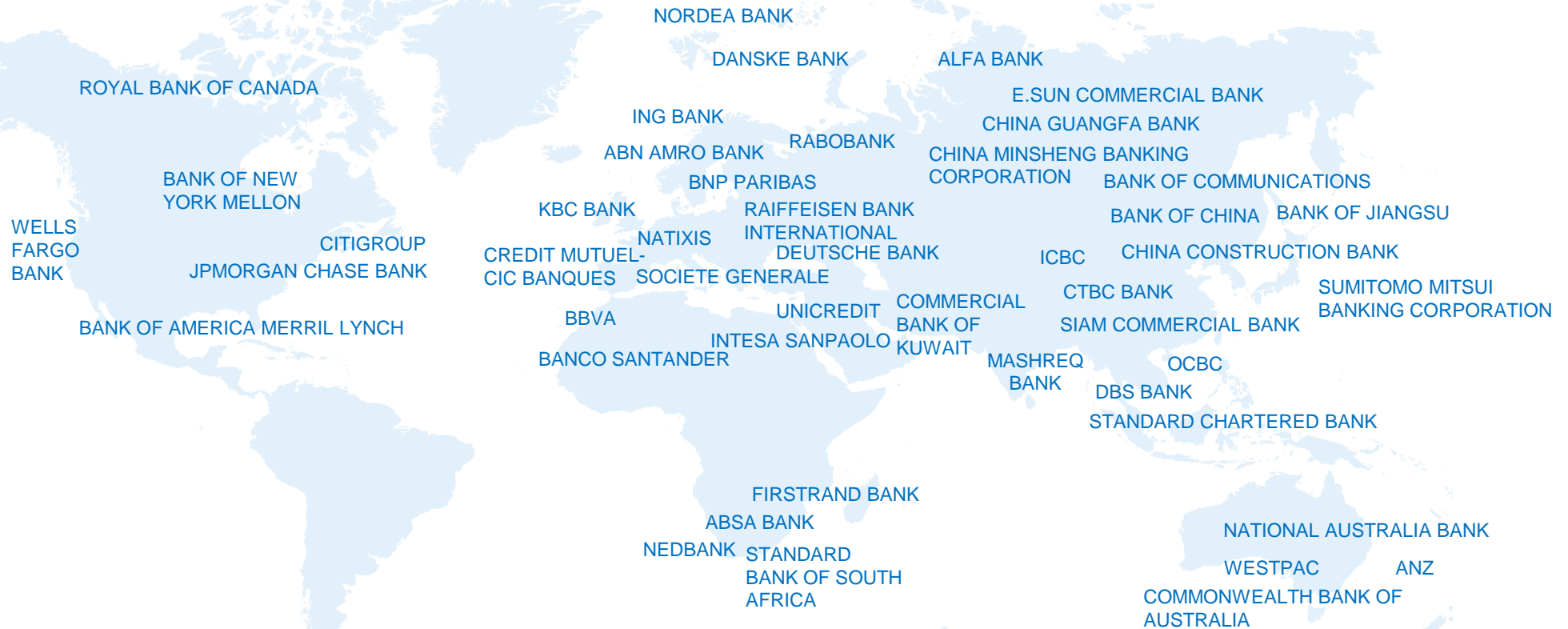
- Nearly 50% of SWIFT gpi payments are credited to end beneficiaries within 30 minutes
- More than 100 billion USD are being sent daily via gpi
- Significant drop in bank enquiry costs by as much as 50%
- Positive reactions from corporates



47 banks are live, with more than 110 banks in the implementation phase

47

gpi banks live

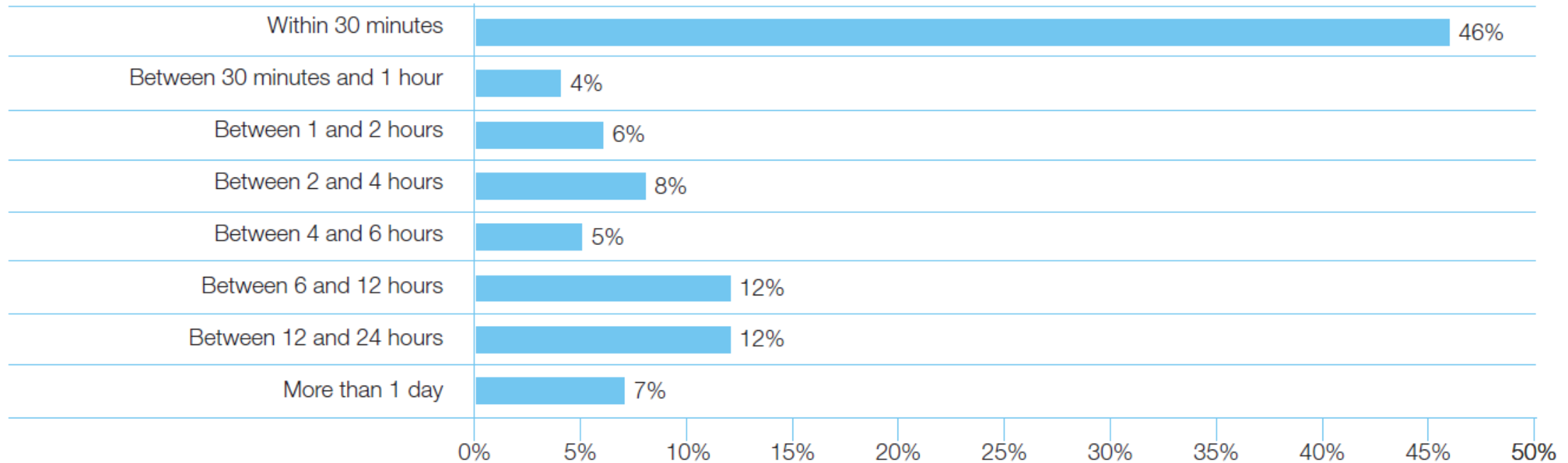


GPI IS DRAMATICALLY SPEEDING UP CROSS-BORDER PAYMENTS!

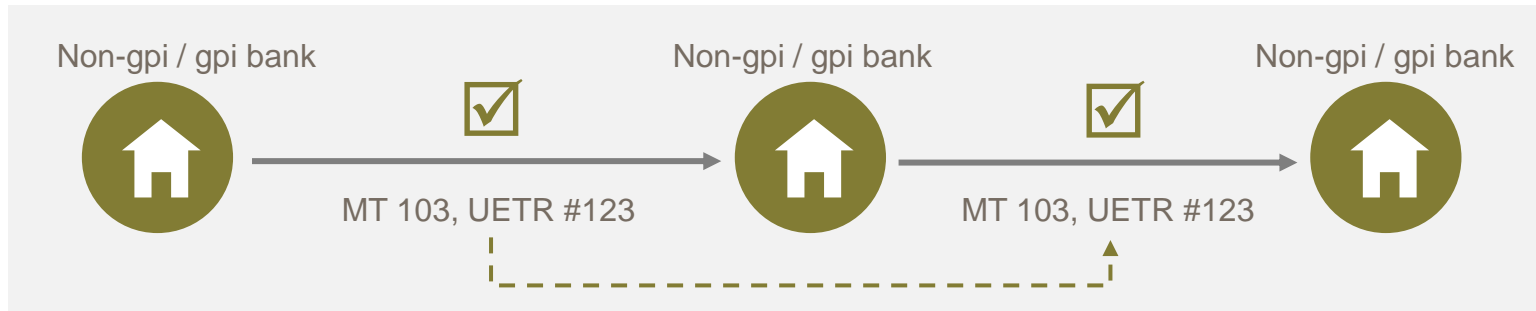
93% < 24 hrs
46% < 30mins

Time between first MT 103 being sent and beneficiary account being credited

April 2018 traffic



SR 2018 mandates all SWIFT users to add and pass on UETR on ALL key payments,



All SWIFT Users, including non-gpi members, must **add and pass on a UETR** (Unique End to End Transaction Reference) in all MT103, MT 103 STP, MT 103 REMIT, MT 202/205 and MT 202/205 COV messages

All SWIFT Users must be able to **receive the gpi fields 111** (Service Type Identifier) **and 121** (UETR) in block 3 of any Category 1 and Category 2 FIN message

→ Non-compliance will generate a NAK

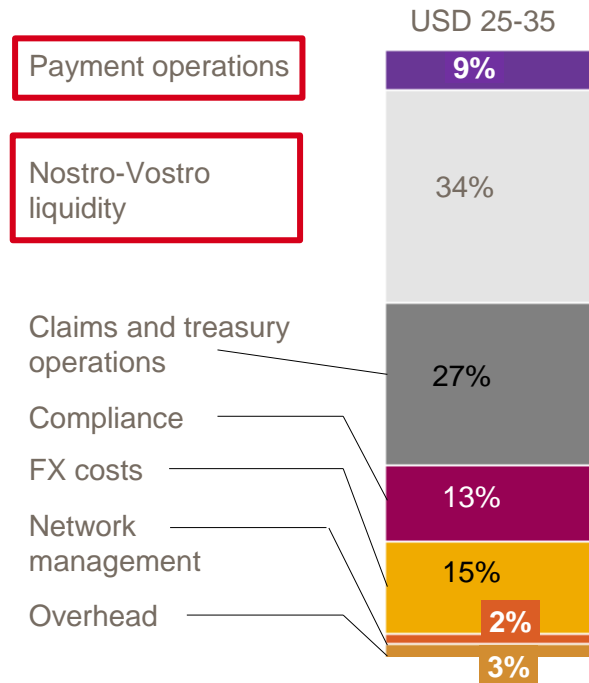
“Can DLT finally pave the way
for real-time Nostro
reconciliation and liquidity
optimisation?”



Business and technical objectives

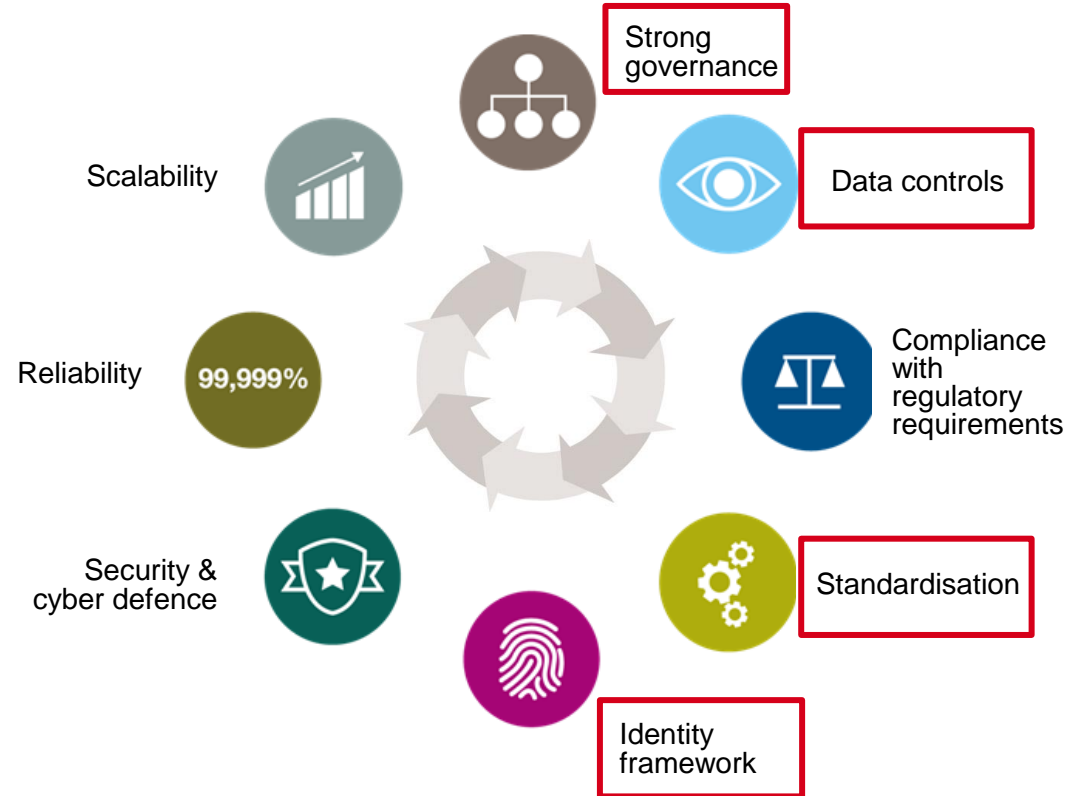
Business Objectives

Cost per international payment transaction (2016)

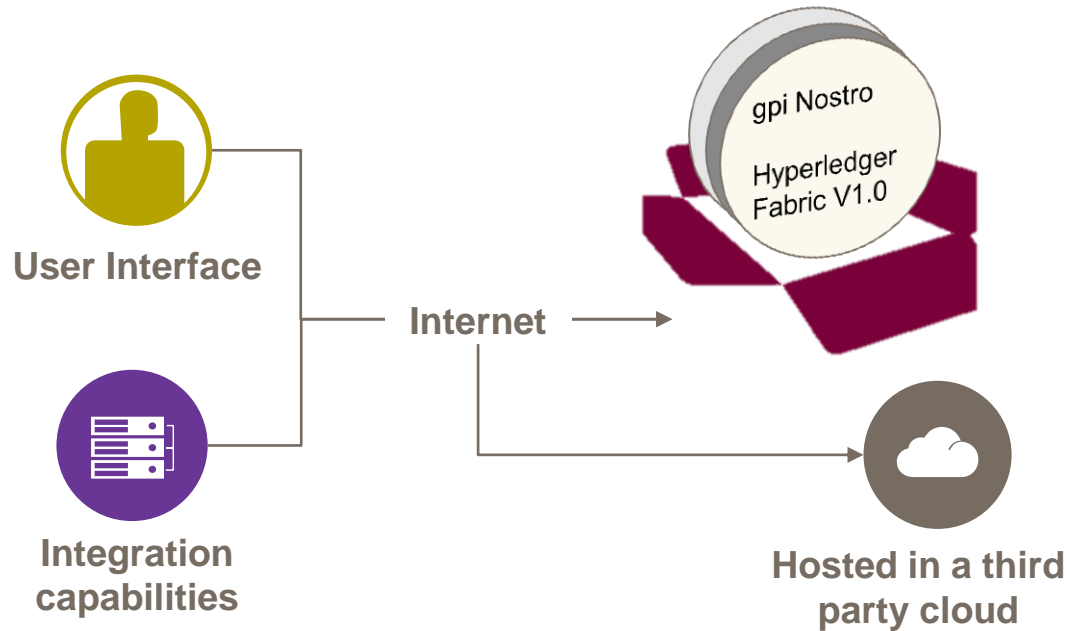


SOURCE: McKinsey Global Payments Map 2016

Technology Objectives



SWIFT sandbox with Hyperledger



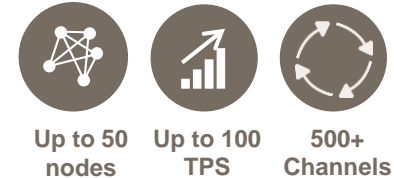
SWIFT value added features



Supporting multiple use cases



Support for community testing



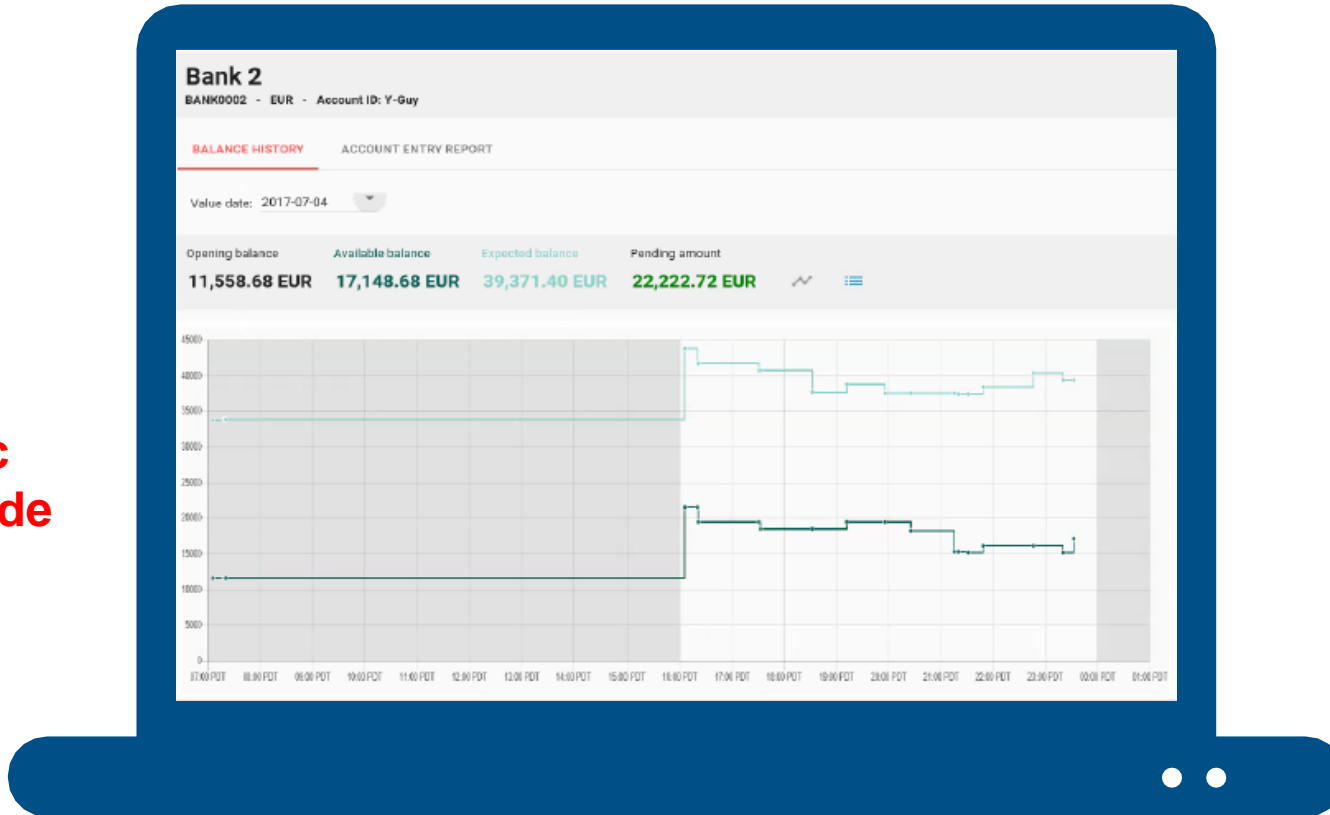
A few statistics

34

Participating banks

Largest Fabric Network outside of IBM

PoC implementation



4,722

Transactions during testing

528

Channel Network



Conclusions

1. The developed DLT application together with the underlying ISO 20022 data model meets the functional requirements and allows for improved reconciliation and improved liquidity visibility
2. The PoC demonstrated significant technology progress towards maturity although it is not considered mature enough for a many-to-many mission critical financial service. There is no doubts that the technology will get there
3. However, to get the business benefits, there are a number of pre-requisites which need to be met. SWIFT and the community will first work towards ensuring the pre-requisites are met before looking at any potential products in this area
4. And while we do that, DLT remains strategic for SWIFT in that we have concrete plans to progress towards SWIFT vision around DLT





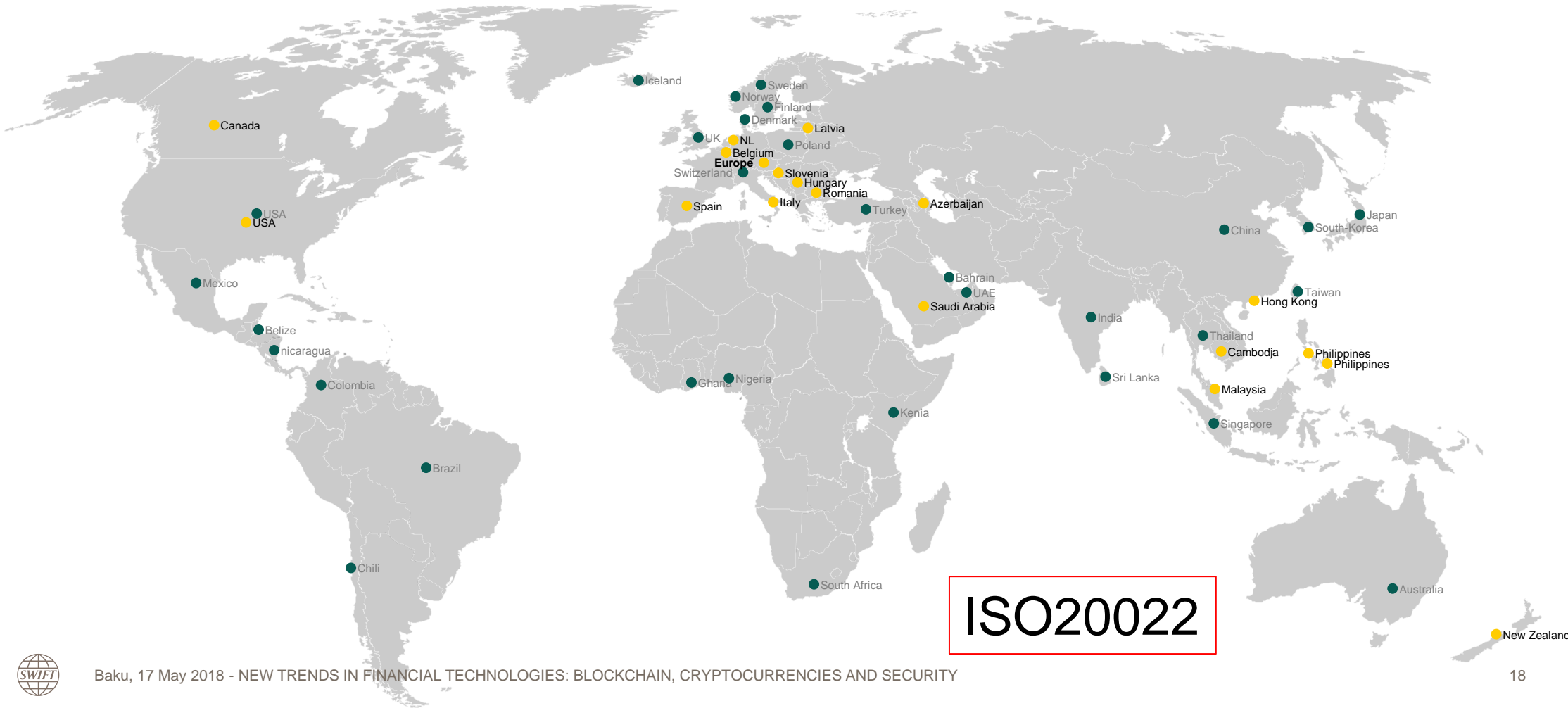
SWIFT Instant Payment

Instant Payments Market context

Faster payments come faster than expected

Legend:

- Instant Payment Solution **Live**
- Instant Payment Solution **Planned**



SWIFT context

The global provider of secure financial messaging services

With our unique position at the **heart of the industry**, SWIFT has **unparalleled experience** of working with its banking community to **build strategic instant payment solutions** that can be **replicated across multiple markets**.

SWIFT Partners with TCH to Drive Instant Payments in the U.S.

Hot on the heels of the Fed's Faster Payments Task Force final report and call for the industry to implement [faster payments in the U.S. by 2020](#), SWIFT is offering a gateway.

The global financial messaging provider announced on Aug. 15 that it will provide U.S. institutions with a gateway to [The Clearing House's](#) real-time payments (RTP) platform. And as instant payments become more ubiquitous in the U.S., SWIFT said it will provide an interface to manage the requirements of sending and receiving domestic instant payment transactions on behalf of customers.



PayBefore, 2017

SWIFT announces new European instant payments solution

The new solution will be available in November 2018, following on from instant payments success in Australia...



FX-MM, 2017

Swift to support instant payments in Hong Kong

06 November 2017 | 3354 views | 0

Source: Swift

As banks face growing challenges due to evolving payment systems and the global shift to real-time payments, SWIFT is providing the Hong Kong financial community with an enterprise messaging and gateway solution to the Hong Kong Faster Payments System (FPS) that aims to go live in September 2018.

FinExtra, 2017

Swift, Fiserv to build Australia's new payments platform

By Alice Coyne
On 2/2/14
2:30PM

Real-time processing promised under 12-year deal.

Global payments provider Swift has been signed under a 12 year contract to build and operate the infrastructure underlying the nation's proposed central payments clearing utility.

The "new payments platform" (NPP) was borne out of a desire by the Reserve Bank of Australia to have all the nation's financial institutions facilitating real-time payments by 2016.



ITnews, 2014

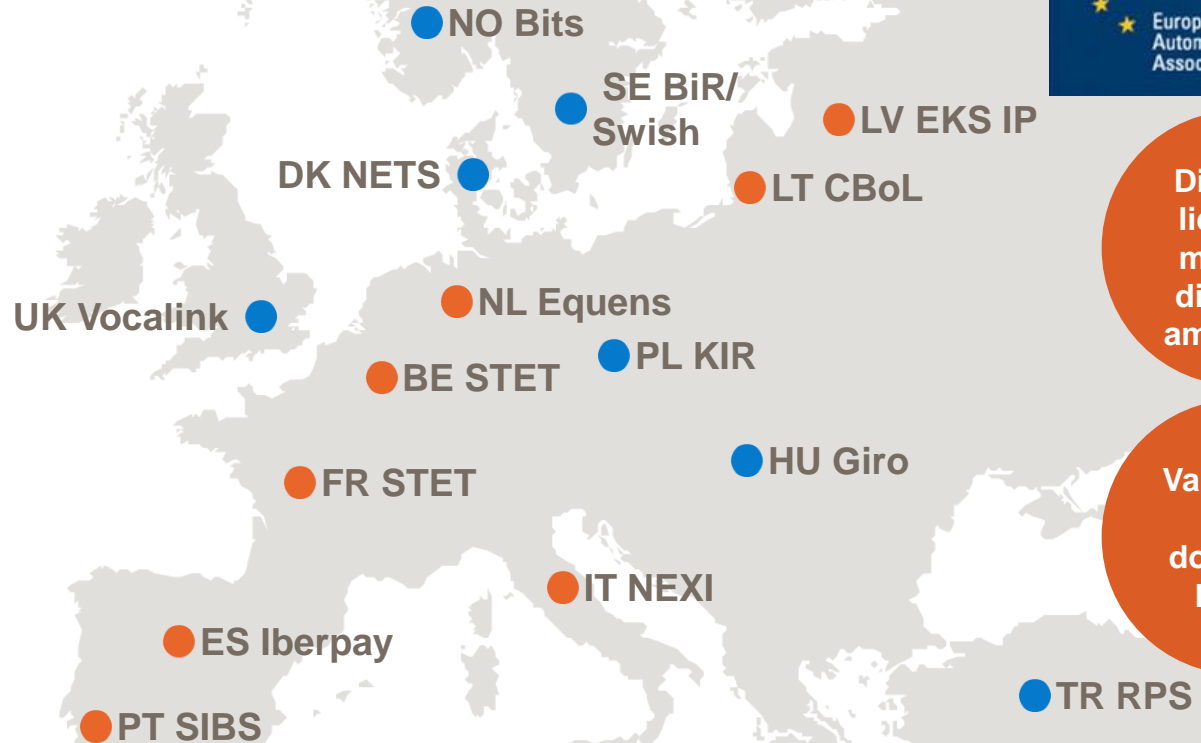


Instant Payments in the EU zone



● SCT Inst scheme

● Other schemes



Different liquidity models, different ambitions

Variations on domestic levels



SCT Inst Retail Payment – Key characteristics

A non-time-critical payment of relatively low value. These payments are typically made outside of the financial markets and are both initiated by and made to individuals and non-financial institutions.



Money will be available irrevocably on the account of the payee within 10 seconds



Applies to credit transfers made in euro, up to a max amount of 15,000 €



SCT Inst transactions will be available 24/7/365



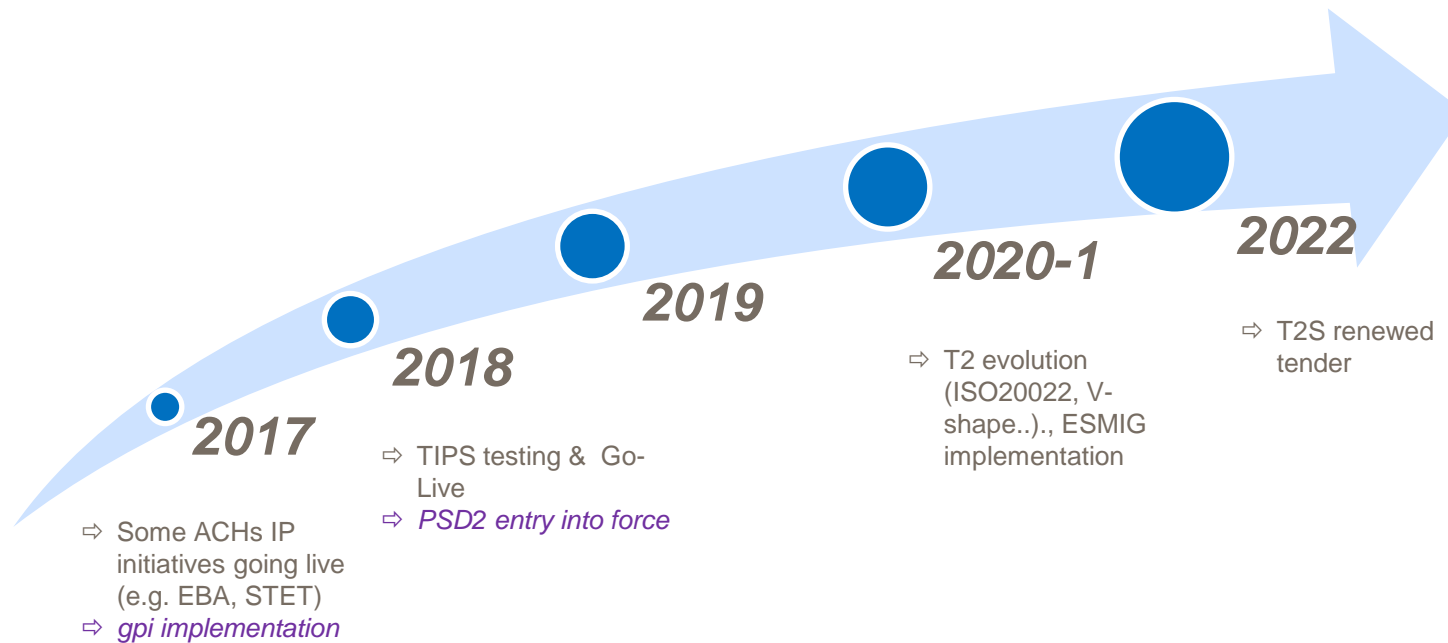
Transactions will be possible in the 34 current SEPA scheme countries

*Important: not a big bang implementation:
Nov 2017: AT, ES, FI (2 major PSPs), IT and LV – btw 500 & 600 entities to join
End 2018: FI (most PSPs), PT (major PSPs), NL (some PSPs), SE, DE
No date yet: FR, DK, IE, LU*

<https://www.europeanpaymentscouncil.eu/>



Eurosystem Vision 2020 & other major initiatives timeline





ISO 20022 migration study update

May 2018

ISO 2022 migration: SWIFT community consultation



The global provider
of secure financial messaging services

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23 April 2018

ISO 2022 migration: the time is now



Consultation paper

SWIFT ISO 2022
Migration Study

Consultation

SWIFT launches a full-scale community consultation that sets out its vision for migration of cross-border services to ISO 2022

Today, SWIFT launches a full-scale **community consultation** that sets out its vision for migration of cross-border services to **ISO 2022** and requests feedback from the industry on how and when migration should proceed.

New market infrastructures, such as instant payment systems, are appearing in every major market, and existing systems, such as high value payments and CSDs, are being upgraded to offer easier access, better services and lower transaction costs. Underpinning almost all these initiatives is a common foundation – ISO 2022 – an open, international standard that defines key business processes and data, and is compatible with both mature and **emerging technologies**, such as DLT and APIs.



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STANDARDS

ISO 2022 migration study

Community consultation to determine the timing and approach for migration of cross-border MT traffic to ISO 2022 across various business areas

Download the consultation paper





www.swift.com