

PAYMENTS

# POSITIVE BUSINESS CASE

## Implement gpi and ISO 20022 in one go

Payment transactions are undergoing an enormous change. The introduction of ISO-20022, instant payments and regulatory requirements such as AML and PSD2 are just some of the issues that financial institutions must currently deal with. Customer behaviour has also changed dramatically. Information is best provided immediately, free of charge and as conveniently as possible.

Thanks to gpi (SWIFT global payments innovation), worldwide tracking of payments is now possible in real time. Financial institutions can realise a positive business case for themselves by reacting promptly to this development and tackling the resulting challenges.

## **AGING INFRASTRUCTURE**

With the increasing volume of data, processes must be designed to be stringent and transparent. The TARGET2/TARGET2 consolidation required by the European Central Bank (ECB) - closely followed by comparable initiatives of the Bank of England, Fed and CHIPS - shows the dynamics with which new products and processes in many financial institutions meet an aging infrastructure.

In addition, credit institutions are repeatedly faced with the task of minimising risks and reducing costs. The conversion to ISO 20022 represents a tremendous challenge. However, if tackled correctly, the planned migration is seen as a great opportunity. On the side of their corporate customers there is a comparable cost pressure. It is therefore essential for them, for example, to be informed promptly about incoming liquidity.

SWIFT is convinced that the new message standard ISO 20022 will benefit the financial services industry enormously. Finally, messages can be processed end-to-end across different areas and geographical borders. In addition, payment transactions can be tracked, as has been common practice in the logistics industry for years. This meets the aforementioned requirements: fast, transparent, clear and cost-saving.

It is difficult to derive a business case from the strategic advantages of ISO 20022 alone - after all, migrations to ISO 20022 are extremely complex. A timely implementation of payment tracking can make this possible, however. Perhaps banks can use it to define a better starting position.

syracom supports financial institutions in finding the right strategic entry point. In this way, the advantages of a conversion to ISO 20022 are immediately linked to the company's business policy objectives. We are therefore of the opinion that the entire migration to ISO 20022 can only be managed in sub-projects. A great way to start is by introducing the "Global Payments Innovation - gpi" from SWIFT. The demand is there, and the topic can be narrowed down and implemented within a manageable period of time. In the following, we will show how this could result in a positive business case for you.

## **GPI: PROMPT TRANSACTIONS, STATUS TRACEABLE AT ANY TIME**

Swift's GPI service has established itself surprisingly quickly: Over 4,000 financial institutions have signed up for SWIFT gpi, over 950 of them are already live in 150 currencies and transfer 1 million cross-border gpi payments daily. However, the tracking service will only provide the full benefit for all participants if everyone in the payment chain supports gpi. Otherwise important data will be lost.

In May 2019, SWIFT published in its e-book „How to build a business case for gpi“ that approximately 40% of SWIFT gpi payments are credited to the account of the final beneficiary within 5 minutes. All gpi-related payments reach the beneficiary within 24 hours.

De facto, it is not yet possible to speak of the availability of information on the receipt of payments in near future. Only when the services offered by the banks are available promptly will, corporate customers increase their business allocations to the banks. They want transnational payments to be processed at least as quickly as SEPA payments or instant payments in Europe. And they would like to be able to track when the credit has been registered to the beneficiary's account.

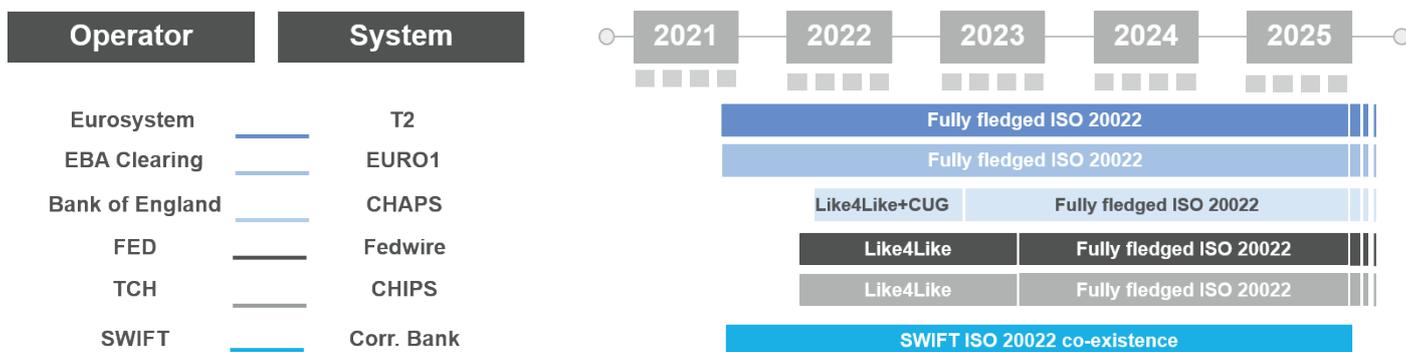
The classic transnational payment transaction is still associated with a high research cost. The reason for this is incorrect or missing information, as the IBAN is not mandatory. This means that the payment cannot be properly booked by the recipient.

With gpi, the crediting of a payment becomes visible in real time. Within the payment transaction chain, all parties involved can always see where the payment is located. For the bank this means a reduction of costs in the back office with the help of the gpi tracker. There are considerably fewer misdirected payments. The initiator of a payment can also view the status of the credit to the beneficiary's account in real time. This is a great advantage in the event of a dispute or for contracts where proof of the actual receipt of payment by the recipient is essential. On the other hand, the tracker supports the bank if the receipt of payment by the recipient must be proven in cases of dispute.

## SYNERGY WITH ISO 20022

The global migration of transnational payments to ISO 20022 affects all credit institutions that support the business of their corporate customers beyond the SEPA borders. The transnational payments, which were previously quite complex compared to SEPA, will now become much more efficient. Especially in the crediting process, all parties involved can see transparently where the payment is currently located.

The SWIFT message types in categories 1, 2 and 9 are affected by the ISO 20022 migration. These are to be converted to the new format from November 2022 to November 2025. gpi will also be rearranged. From the second half of 2020, confirmations will be supported in ISO-20022 format. The gpi conversion is already visible in the SWIFT roadmap.



- Notes**
- Bank of Japan – BOJ-NET partially ISO 20022 adopted since 2015
  - Swiss National Bank – SIC adopted ISO 20022 since 2016
  - Payments Canada – Lynx to adopt ISO 20022 earliest in November 2023

In this context, the question arises: Would it not make sense for the gpi conversion to kick off for the entire ISO 20022 conversion? Absolutely. The advantage of a joint conversion is that stakeholders, such as cash management and treasury, IT and operations, are involved in the project at an early stage. Experience can be gained quickly and exchanged at short notice. Possible blocking points are recognised promptly and can be eliminated during the entire conversion.

There are supporting tools for tracking in the gpi area. Below you will get an insight into a tool that is used by banks for tracking requests and can also ideally support you on the subject of gpi. Das bei Banken im Bereich Tracking von Nachfragen im Einsatz ist und auch Sie im Bereich gpi ideal unterstützen kann.

# PINQ CASE MANAGEMENT FOR SMOOTH TRACKING OF TRANSNATIONAL PAYMENTS

For over 10 years, syracom has been supporting compliance with standards in national and international payment transactions with its in-house PINQ case management solution. The system automatically processes exceptions and inquiries in payment transactions. The process is much more efficient across borders than conventional methods, while customers receive rapid feedback on their inquiries.

In recent years, SWIFTnet E&I (exceptions & investigations) has improved communication with other payment participants only in certain areas. Banks have concentrated on optimising their internal processing procedures.

Now, SWIFT gpi is the key to a fast, transparent exchange between all parties involved. There are already 100 gpi members that use the efficient stop & recall of payments. syracom has supported the new SWIFT gpi standards from the very beginning. The consulting company not only helps customers to introduce the standard, but also participates in the piloting of new facets. This is done in cooperation with SWIFT and well-known banks. PINQ uses unique references, dedicated code words and the structured message flow of gpi. The back office only receives the aggregated, relevant information it needs for manual decisions. For both the user and the technology, gpi forms an evolution with the use of known SWIFT MT messages in combination with ISO 20022 codes.

syracom has built up know-how in various migration projects. We offer this know-how to adapt your system landscape or to support you in the selection and integration of new procedures.

## YOUR HEAD START

With the knowledge gained from various T2/T2S consolidation projects and memberships in relevant payment transaction and treasury committees, syracom is the ideal partner to optimally prepare your processes for further external and internal requirements.

Our experts have many years of experience in the field of SEPA and foreign payment transactions. Our daily consulting work consists of supporting renowned financial service providers in the introduction of new products and processes. In doing so, we not only work conceptually and identify potential for optimisation, but also help to realise this potential, so that it can also be exploited. We work closely with SWIFT on all the above-mentioned topics and are therefore always up to date with the latest information.

Contact

# 25

Years in the service of customers

# 200

Employees

# 24

Turnover in millions of euros

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