



Cross-border request to pay – Proof of Value (PoV)

Can a cross-border procure-to-pay service performed under a SWIFT gpi Service Level Agreement enable banks to simplify the cross-border payment process of their corporate clients?

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Can an international request to pay capability implemented under a SWIFT gpi SLA offer a more secure, flexible and cost effective solution for corporates to collect cross-border payments?

SWIFT gathered seven gpi member banks¹ and three corporates² to work with the FinTech Assembly Payments, as part of a gpi innovation Proof of Value challenge to examine this question.

¹ Participating banks: Bank of Communications, Citi, HSBC, National Australia Bank, Siam Commercial Bank, Standard Chartered Bank, Sumimoto Mitsui Banking Corporation

² Participating corporates: IATA, Rio Tinto

Solution investigated

SWIFT gpi is a unique platform for collaborative innovation. The cross-border request to pay service explored by the participating banks and corporates in this PoV leverages the gpi Tracker which combined with a set of established standards and bank's authentication, could help corporates enhance processes for cross border payables and receivables.

With the implementation of SWIFT gpi, member banks are able to provide their customers with full visibility over the whole payment flow. The solution examined in this PoV could enhance the value gpi already delivers to its users by enabling a creditor to generate and track a gpi enabled request to pay and link it to the related gpi payment.

The new service would rely on the implementation of a rulebook with common industry standards, including the usage of the unique end-to-end transaction reference (UETR), and would leverage the gpi Tracker. The combination of these prerequisites would empower banks to equip their corporate customers with a fully integrated and automated procure to pay process, reducing risk of invoice fraud and improving liquidity and reconciliation processes.

Approach

Throughout the PoV, we invited the participating banks and corporates to consider the proposed framework in the context of their organisations as well as provide input on possible use cases and perceived value.

The PoV was rolled out in two phases:

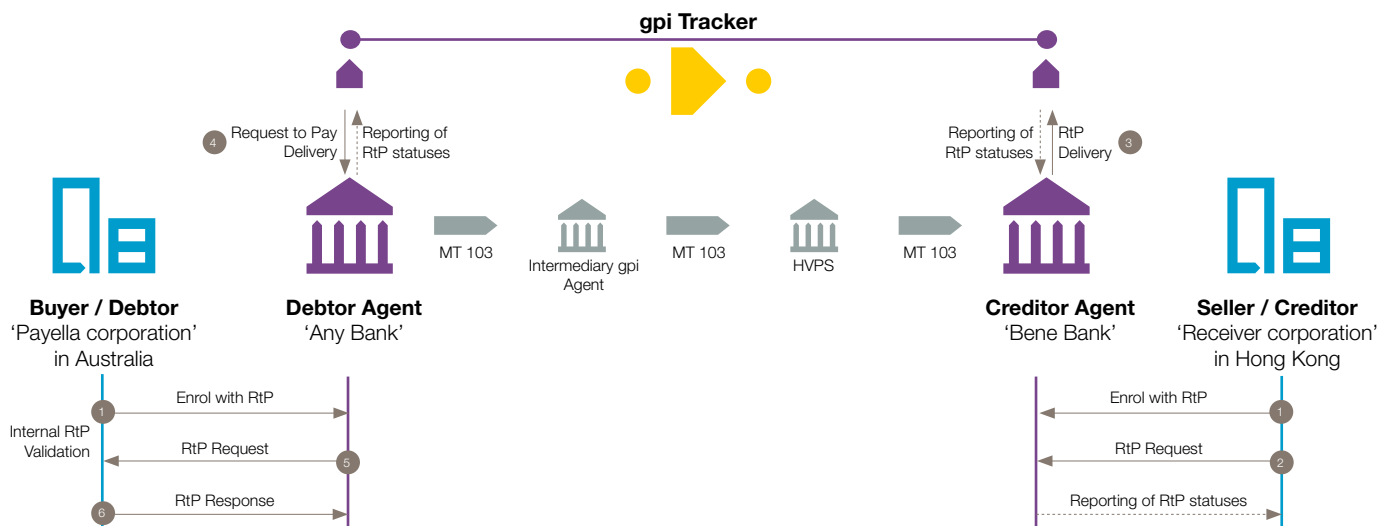
01

The first stage gathered seven gpi member banks to define high-level implementation requirements for a Minimum Viable Service including, a request for payment initiation, authentication or channels and applications integration leveraging their current gpi infrastructure.

02

After defining these foundational elements, banks and corporates entered the second phase of the PoV to help formalise the added value of such a request to pay gpi service.

Out of scope for request to pay debtor service
Exchange of debtor's ID's and Debtor Bank's BIC



Results of the PoV

The consultations conducted with the seven gpi member banks and the corporates during the PoV showed or highlighted that a cross border request to pay solution would open new opportunities – not only in terms of integration and automation of collection as well as reconciliation of international payments, but also in terms of liquidity forecasting.

We entered the PoV asking whether an international request to pay overlay on gpi payments could support banks in helping corporates with the management of payments and treasury operations through two main dimensions:

- Improving reconciliation processes leading to a decrease of exceptions
- Providing a liquidity tool by supporting timely payments within a more flexible and more secure framework.

The PoV process confirmed that new industry standards combined with the enhanced tracking capability and the degree of transparency provided by a cross-border request to pay service rulebook would help improve the management of payments, from invoice to deposit into the creditor's account, and therefore provide better predictability, more certainty and traceability.

Today, corporates executing cross-border payments regularly face costs arising from payment status investigations, invoice fraud, absence of payment confirmation and reconciliation breaks. Studies¹ have observed that for SMEs, as creditors, payments processed through a Request for Payments model compared to existing solutions could provide a reduction of 8% of their current unit cost of invoice to pay process. For larger companies this could represent a reduction of 18p per transaction. On the debtor's side, such a system could reduce the united cost of receiving and paying invoices by up to 60%.

The PoV also highlighted that such a service would help to address the risk of invoice fraud: both creditor and debtor would need to enrol on the service through their respective bank's service provider enabling these to authenticate each Request for Payment. In addition, the payment request initiated by the biller would be identifiable from invoicing to deposit through its unique end-to-end transaction reference (UETR).

Looking at the services to large corporates, banks indicated that this new layer of information would help them develop standardised incoming payment tracking solutions, enabling integration in customers ERPs.

¹ Source: Accenture Strategy – prepared for Faster Payment

Key findings

Besides confirming initial assumptions about the benefits of the request to pay overlay on gpi payments, additional use cases were identified:

Enable dynamic payment processes

Such request to pay process could support dynamic payment methods such as discount on the invoice based on an early payment.

Support large billers at domestic level

In certain markets where direct debit is not widely used, this method could facilitate payment collection for corporates with a high volume of payments and collections since it provides more flexibility for the debtor.

“The request to pay feature will significantly improve the value proposition of SWIFT GPI technology, providing new opportunities for corporates. In the B2B area, these include optimising liquidity management and eliminating reconciliation inefficiencies; and in the B2C space, it could pave the way for developing a new payment method for e-commerce”

Javier Orejas

Head of Banking, EMEA and Americas – IATA

Next steps

Banks and corporates both indicated their interest and recognised the value of a cross-border request to pay overlay. They expressed their willingness to proceed with a more in-depth evaluation of the implementation requirements. SWIFT now intends to gather a representative group of gpi member banks and corporates to move forward.

Benefits at a glance

Facilitate liquidity management	Better predictability and visibility Increased control over “in and out flows”
Reduce risk of fraud	Trusted environment to process request for payments
Enhance reconciliation process	Single UETR identifier generated at request to pay level Facilitate automated reconciliation by ERP system

Contact swiftforbanks@swift.com to find out more about the cross border Request for Payments initiative.
www.swift.com/gpi



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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.

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