



“In the future, if you want to be in the cross-border payments business, it will be a requirement to be a gpi bank.”

Tomas Moberg

Global Product & Process Manager,
Cross-Border Payment Solutions,
Nordea

Nordea adopts an agile approach to implementing SWIFT gpi

Nordea identifies SWIFT gpi as essential to the bank’s positioning as a leader in cross-border payments.

For Nordea, managing cross-border payments presents a challenge – not least because several parties - banks, market infrastructures and corporates - are typically involved in cross-border clearing and settlement. This complexity has a knock-on effect for corporate customers, who have much to gain by obtaining certainty that a cross-border payment has been settled.

“The main questions we see from customers are about certainty,” comments Tomas Moberg, Global Product & Process Manager, Cross-Border Payment Solutions, Nordea. “For commercial payments, such as utilities and bills, the priority is being sure that the beneficiary has received them.”

In other cases, the speed of a payment is critical, such as with payments related to a shipment, FX transactions or merger and acquisition (M&A) activity. “In all of these, the lack of transparency over the status of the payment is the real challenge,” says Moberg. “As a bank, you are unable to provide information to the customer about where the payment is at a specific moment in time.”

SWIFT gpi

As such, there is plenty of scope to improve cross-border payments – which is why SWIFT, together with the banking community, has launched SWIFT global payments innovation (gpi). SWIFT gpi aims to increase the speed, transparency and traceability of cross-border payments, with benefits including same day use of funds, transparency of fees, end-to-end payments tracking and the ability to transmit remittance information unaltered. Today SWIFT gpi is live and is being used to send thousands of cross-border payments on a daily basis.

The business case

Nordea, which strives to be a leader in cross-border payments, was one of the first banks to participate in the initiative when it was presented at Sibos in 2015. “Of course we want to be a front runner in our own market,” says Moberg. “It was not a difficult decision to join at all.”

According to Moberg, the business case for signing up to SWIFT gpi included three key points. “First of all, the value proposition to our corporates was going to improve significantly by knowing where their payments are and being able to send confirmations back to customers,” he explains. “Second, this would enable banks to reduce their back office costs. Third, correspondent banking will increasingly be focused on gpi banks which are able to support each other with this information – so there are risks involved in not being part of gpi.”

For Moberg the most significant benefits of gpi include the end-to-end payment tracking, as well as the certainty that a payment will be settled when expected. “If you send a regular payment today, you can’t be sure that the beneficiary will receive it today,” he explains. “With gpi, you can be sure that it will be settled when it’s expected to be settled.”

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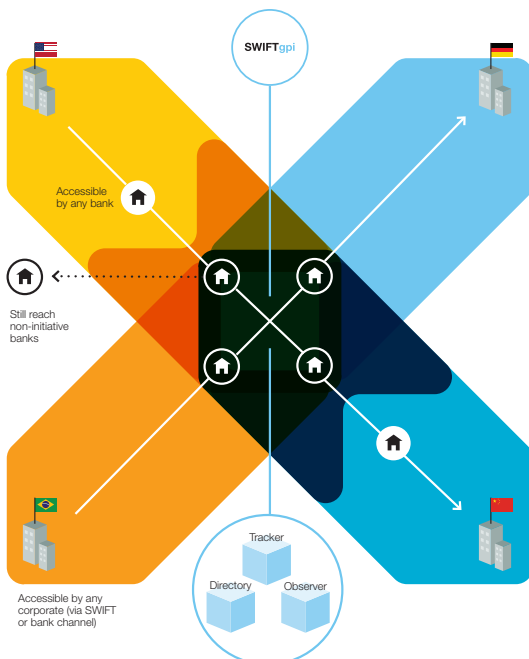
Implementing SWIFT gpi

Nordea is in the process of adopting a new payment engine, which makes it impractical to achieve gpi compliance with the bank's existing payment applications in multiple countries. Consequently, the decision was made to focus on adopting gpi in Denmark in the first instance.

Nordea therefore opted for an agile approach using a small team of only three in-house people based in Sweden and Denmark, rather than appointing an external vendor. This approach enabled a rapid time to market. Testing began after only six weeks of development, and Nordea went live with gpi in January 2017. The bank is currently using gpi to send and receive USD payments, with plans in place to add more countries and currencies as more banks go live with the service.

Where positioning is concerned, the bank has chosen to use gpi as the default means of sending relevant payments, rather than offering gpi as an additional service. At this stage, Nordea is using gpi's end-to-end tracker functionality behind the scenes, enabling the bank to reduce the time required for investigations. At the same time, it is evaluating how gpi will be integrated into customer channels so they can directly access information about their transactions.

SWIFT gpi: The Concept



Upcoming developments

Following the initial launch of gpi, SWIFT is planning future developments which will add to the existing gpi functionalities, providing more value and cost reduction opportunities to banks (see box below).

“The International Payments Assistant will verify payment information more thoroughly than today, for example by validating BBANs for payments to different countries,” comments Moberg. “This will help the quality of payments being sent out, which will be extremely valuable for customers as well as for banks.”

For Nordea, the current focus is on ramping up gpi payments to more countries while exploring how the enhanced information can be distributed to end customers through their preferred channels – a development which could see gpi being offered to different types of customers in a differentiated way.

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While SWIFT gpi has seen great cooperation within the banking industry, this is an area of competition between peers. Banks have to make sure this enhanced information is distributed in channels and formats that meet the needs of their customers. There are many opportunities in this space that Nordea is currently assessing.

Looking forward, Moberg believes that gpi will be the norm in crossborder payments – and that banks should approach the initiative in the spirit of collaboration. “This isn't about competition – it's in our interest that our competitors in Sweden and the other Nordic countries also join the gpi service.” Nordea sends many cross-border payments to their peers in the region, he explains, and the more banks that join, the better the offer they will be able to provide their customers. Moberg concludes by underlining that it is in the interests of other banks to participate in the initiative. “In the future, if you want to be in the cross-border payments business, it will be a requirement to be a gpi bank.”

SWIFT gpi Phase 2: The digital transformation of cross-border payments

In parallel with the roll-out of the first phase of SWIFT gpi, SWIFT is designing additional payment services that will digitally transform cross-border payments, by allowing banks to offer their clients:

- A Rich Payment Data Transfer service: Enabling corporates to transfer rich payment data along with their payments
- A Stop and Recall Payment service: Allowing erroneous payments to be stopped immediately, no matter where they are in the correspondent banking chain
- An International Payment Assistant service: Helping corporates ensure they initiate error-free cross-border payment instructions