

Universal Confirmations: Completing the Last Leg of the Payments Journey

January 2020

Prepared for:



TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
INTRODUCTION	4
METHODOLOGY	4
EXTENDING THE BENEFITS OF SWIFT GPI	5
CHANNEL OPTIONS FOR CONFIRMING PAYMENTS	6
VENDORS WILL PLAY AN IMPORTANT PART IN ENABLING UNIVERSAL CONFIRMATIONS	7
CONCLUSION.....	9
ABOUT SWIFT.....	10
ABOUT AITE GROUP	11
AUTHOR INFORMATION.....	11
CONTACT.....	11

LIST OF TABLES

TABLE A: UNIVERSAL CONFIRMATIONS INTRODUCTION SCHEDULE.....	7
TABLE B: VENDORS OFFERING UNIVERSAL CONFIRMATIONS CAPABILITY	7

EXECUTIVE SUMMARY

Universal Confirmations: Completing the Last Leg of the Payments Journey, commissioned by SWIFT and produced by Aite Group, looks at the potential benefits that SWIFT member institutions can achieve by making confirmation of payments receipt (or other outcomes) mandatory for all members.

From the end of 2020, all SWIFT member banks and other identified institutions will be required to provide confirmation of payment status once a payment has been credited to the end beneficiary's account. Included in this requirement is whether a payment has been rejected. SWIFT also recommends providing status updates on payments that are transferred outside of the SWIFT network.

Key takeaways from this study include the following:

- Studies consistently show that customers are seeking certainty on the status of their payments, a demand that is being intensified by the proliferation of domestic real-time payment infrastructures and consumer pressure for payments delivered in real time. Universal confirmations provide all SWIFT member institutions with tools to address this demand.
- To extend the benefit of tracking to all SWIFT financial institutions and help ensure they are compliant with the mandate, SWIFT is introducing the Basic Tracker in November 2019, which will be free and available to all banks.
- For smaller financial institutions, the benefit of the online Basic Tracker is that it provides search and tracking features for free as well as the ability to confirm, which can be used regardless of the volume of payments sent over SWIFT.
- Banks will be able to provide payment tracking information and confirmations on a self-service basis, dramatically reducing customer queries as well as providing improved customer service and cost reductions. One bank in the Middle East reported that since it included tracking information in its customer portal in 2018, it has seen a 95% fall in customer queries, with a consequent significant reduction in operating costs.
- Universal confirmations will allow banks to create new value-added services in areas such as trade and supply chain management, for which a payment delay can be a major problem—for instance, in the transportation of perishable goods.
- Payment confirmations will also help banks in jurisdictions where obtaining payment status is difficult, such as in high-risk markets.

INTRODUCTION

Digital banking services based on developments in consumer technology and the proliferation of real-time domestic payment networks are driving business and corporate customers' expectations, fueling a demand for immediate access to accurate information about the status of payments between financial institutions. At the same time, new payment providers are using technology to disrupt traditional models and challenge incumbents, putting increasing pressure on costs.

In response, SWIFT member institutions have endorsed the decision to make payment confirmations mandatory by the end of 2020. This universal confirmation requirement will be enabled by making basic elements of the SWIFT global payment initiative (gpi) service available to all members. This includes the unique end-to-end transaction reference (UETR) introduced in 2018; the new Basic Tracker, scheduled to go live in November 2019; and universal payment confirmations, which will become mandatory from the end of 2020.

Since its introduction in 2017, SWIFT gpi has grown rapidly: More than 60% of all cross-border payments on SWIFT are now sent via gpi, representing more than US\$300 billion in daily value. The intention of universal confirmations is to extend the benefits of tracking and confirmation to all payments sent on SWIFT.

This white paper surveys the potential and actual benefits that universal confirmations will have for SWIFT member banks in terms of their ability to provide new value-added services while reducing costs.

METHODOLOGY

This white paper leverages the market knowledge of Aite Group analysts, combined with a series of interviews and briefings with SWIFT personnel directly related to the introduction of universal confirmations and tracking of payments.

EXTENDING THE BENEFITS OF SWIFT GPI

The introduction of universal confirmations is a further step in SWIFT's response to the changes that are sweeping through the international payments world. In that context, universal confirmations close an important gap in the visibility customers will have of their payments and bring even the smallest financial institution into the ecosystem that is developing around SWIFT gpi.

Effectively, SWIFT has given some of the functionality of the gpi service to institutions of all sizes, regardless of the volume of payments they handle, which will enable them to ensure that all confirmations are entered and customers can stay informed on the status of their payments. This model ensures that end-to-end confirmation will be available across the complete SWIFT network, which will be a crucial factor for banks (and vendors) developing new capabilities that leverage the improved data that will become available.

The benefits of universal confirmations include the following:

- Banks will experience cost reduction and increased efficiency stemming from the decreased effort required to resolve exceptions and investigations.
- End customers will benefit from greater visibility and certainty in terms of the status of transactions and customer service.
- Both banks and customers will benefit from new innovations that can be developed to add value and improve services.

With the end-to-end tracking capability universal confirmations create, a range of use cases come into play: For many smaller financial institutions, the initial benefit will be the ability to automatically provide confirmation of payment delivery to their customers. This could be through basic alert messages, existing banking portals, or wholly new services leveraging open banking infrastructures using APIs. The opportunities are limited only by a bank's own ambitions and business goals.

One key opportunity for banks is the ability to greatly increase the level of self-service for customers, which has the dual advantages of increasing customer satisfaction and reducing the cost of answering customer queries. Both are likely to be substantial. One bank in the Middle East, when sharing the benefits of including tracking information in its customer portal, reported a 95% fall in customer queries since it was introduced in 2018, with a consequent significant reduction in operating costs.

The increased amount of data that will be available across the SWIFT community will also provide opportunities for innovation. Under the universal confirmations rulebook, members receiving an MT 103 instruction message are mandated to provide a confirmation on the outcome of a customer payment to the SWIFT gpi Tracker within a maximum of two business days following the value date (though same business day is the recommended practice). The confirmation must provide the originator bank identification code, amount, currency, and date/time of either the credit to the beneficiary account or the rejection, at a minimum. In addition, with the industry rapidly adopting the ISO 20022 messaging standard, banks will be

able to benefit from enriched payment data carried within those messages. This will create new opportunities for banks to add new service capabilities and enhance customer service.

When the payment is transferred to an agent outside of SWIFT, it is recommended that the financial institution that received the MT 103 provide an update to the SWIFT gpi Tracker.

Automated confirmations will also help reduce friction in trade and supply chain services. This is particularly true for situations in which a delayed or failed payment can have knock-on effects—potentially expensive ones in the case of perishable goods, for example. Corporate customers have long clamored for information on where payments are and when holdups happen so that they can resolve the situation. With confirmation of cleared funds, corporate customers will be able to progress to the next step of their real-world activities, be that authorizing delivery of a product or avoiding delays in their supply chains.

At a basic level, banks will now be able to inform clients of situations as they arise, but more ambitious banks will use this capability to enhance the customer experience through value-added service offerings that will strengthen relationships and help retain business.

CHANNEL OPTIONS FOR CONFIRMING PAYMENTS

To ensure that the widest range of member financial institutions can participate, SWIFT has set out a range of capabilities to be introduced in 2020 to extend the benefits of tracking and confirmation to all institutions on the SWIFT network.

At the lowest level, this means having the ability to report the status of a payment using the Basic Tracker, which has been in pilot since April 2019, to provide a free mechanism to confirm payments. This uses the UETR that was made mandatory for all users in 2018.

The free Basic Tracker interface, available in November 2019, will allow manual submission of confirmations. This is aimed at allowing financial institutions with low payments volume to confirm payments while having the option of upgrading to the paid-for SWIFT gpi Tracker at any time.

The Basic Tracker lacks the advanced features of the SWIFT gpi Tracker, such as the tracking of intermediary routing, cover payments, and value-added services such as being able to stop and recall payments.

For automated confirmations, the MT 199 message and an API-based option are also specified in in SWIFT's annual standards release for 2019 (SR 2019). Next year, in SR 2020, SWIFT will introduce an ISO 20022 message format and batch confirmation capability (Table A).

Table A: Universal Confirmations Introduction Schedule

Option	Introduced
Basic Tracker graphical user interface for manual confirmation	Live in November 2019
MT 199 Confirm for All	SR 2019
API Confirm for All	SR 2019
ISO 20022 message	SR 2020 (specification published November 2019)
Batch confirmations	SR 2020

Source: SWIFT

VENDORS WILL PLAY AN IMPORTANT PART IN ENABLING UNIVERSAL CONFIRMATIONS

Banks will not be the only stakeholders taking advantage of the possibilities; also important in that ecosystem will be the vendor community. Sixteen vendors have committed to developing their systems to support gpi and universal confirmations (Table B). Several have product development roadmaps focusing on how banks can implement and build on the capabilities provided—and how to support smaller institutions and fintech providers doing the same.

Table B: Vendors Offering Universal Confirmations Capability

Company name	Product name	Release date	Universal confirmations capability added
ACI Worldwide	UP Real-Time Payments	October 2019	2019
Aqua Global Solutions	E2gen	November 2019	2019
Commercial Banking Applications	IBAS GPF—Global Payments Factory	September 2019	2019
CGI	All Payments (APS)	November 2020	2020
	BESS Core	November 2019	2019
ECS Fin Inc.	IMS Payments	January 2020	2020
Expertus Technologies	Expertus Payment Services-X1	November 2019	2019
Finastra	Fusion Payplus FTS	September 2019	2019

Company name	Product name	Release date	Universal confirmations capability added
FIS Global	Open Payment Framework (OPF)— xCT	April 2019	2019
Montran	Global Payment Solution (GPS)	September 2019	2019
Oracle Financial Services	Oracle Flexcube Universal Banking	May 2019	2019
PPI	TRAVIC-Payment Hub	July 2020	2020
Tata Consultancy Services (TCS)	TCS BaNCS Payments	September 2019	2019
Temenos	Temenos Payments	October 2019	2019

Source: SWIFT/vendor literature

CONCLUSION

- The arrival of 24/7/365 real-time payments is driving increased data demands from corporate users, who are increasingly likely to change their primary banking relationship to institutions that can address those requirements. Banks that do not improve their services in this area are at greater risk of client attrition.
- By mandating universal confirmations, the SWIFT member banks will close a gap in the information that they can provide to clients, creating a network in which all payments can be confirmed in a timely manner.
- As well as enhancing customer services, increased automation enables the provision of self-service to customers, substantially reducing payment queries and a consequent reduction in operational costs.
- Increased automation of payments, of which universal confirmations is a part, will enable further benefits in the wider global economy, notably by reducing or removing friction in trade and supply chain management.
- Banks are recognizing the role of vendors in addressing the problems that the industry faces, and they are increasingly willing to collaborate with them to not only reduce costs but also gain access to vendors' expertise and a wider perspective on the issues.

ABOUT SWIFT

SWIFT is a global member-owned cooperative and the world's leading provider of secure financial messaging services. We provide our community with a platform for messaging and standards for communicating, and we offer products and services to facilitate access and integration, identification, analysis, and regulatory compliance.

Learn more about how SWIFT is introducing universal confirmations and the [benefits that they will bring](#) to financial institutions of all sizes.

ABOUT AITE GROUP

Aite Group is a global research and advisory firm delivering comprehensive, actionable advice on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, insurance, wealth management, and the capital markets, we guide financial institutions, technology providers, and consulting firms worldwide. We partner with our clients, revealing their blind spots and delivering insights to make their businesses smarter and stronger. Visit us on the [web](#) and connect with us on [Twitter](#) and [LinkedIn](#).

AUTHOR INFORMATION

David Bannister

+44.752.541.5821

dbannister@aitegroup.com

CONTACT

For more information on research and consulting services, please contact:

Aite Group Sales

+1.617.338.6050

sales@aitegroup.com

For all press and conference inquiries, please contact:

Aite Group PR

+1.617.398.5048

pr@aitegroup.com

For all other inquiries, please contact:

info@aitegroup.com