



Disruption and Collaboration in cross-border payments

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Head of Oceania
SWIFT

June 27th 2018

SWIFT is an industry-owned, not-for-profit cooperative providing financial messaging services to the global finance industry

11,000

Financial institutions,
Market Infrastructures
& Corporates

3,000

of which are in Asia
Pacific

200+

Countries & territories



Unique value proposition

7bn +

'MT' messages
in 2017

12%

Annual growth
'MT' Payment
Traffic (2017)

3 days

Approximate annual value
world GDP through SWIFT
network

Secure

Resilient

Always available

Fast

Seconds for a message to be
sent anywhere in the world

**Economies
of Scale**

Single window to the world
Continual price reductions

Cents

Cost per message

Domestic

Provider of domestic market
infrastructures: RTGS, bulk and
real-time payments



SWIFT is a critical service supplier for New Zealand

Domestic Infrastructures

ESAS

18 participants using SWIFT to connect directly to ESAS

NZClear

35 participants using SWIFT to connect directly to NZClear

SBI

9 participants using SWIFT to connect directly to SBI

Cross-Border Payments

9.5 Million

Payments sent or received in 2017

31 Trillion

\$ NZD sent or received in 2017

Statistics

38

SWIFT users in NZ

65%

65% Payments
32% Securities
3% Treasury

\$30 Bn

Settled through ESAS every day

\$1.2 Tn

Cleared and settled through SBI in 2017



Is Correspondent Banking about to be disrupted?



“Disruption”



In the 1990's, Clayton Christensen coined the term “disruptive technology”

Later replaced the term with “*disruptive innovation*”. He recognising that:

- Technology is an enabler, but
- new Business Model is the key

e.g. Uber competes with taxi industry but doesn't own cars. AirBNB competes with hotel industry without owning property.

Correspondent Banking



To truly disrupt correspondent banking business model, any alternative is going to need:

- Reach:** bank accounts in all countries & currencies
- Settlement:** a viable Nostro/Vostro alternative
- Regulatory support:** regulators know and trust the current system
- Cost:** cost to implement is justified by cost savings
- Customers:** provides superior service for customers

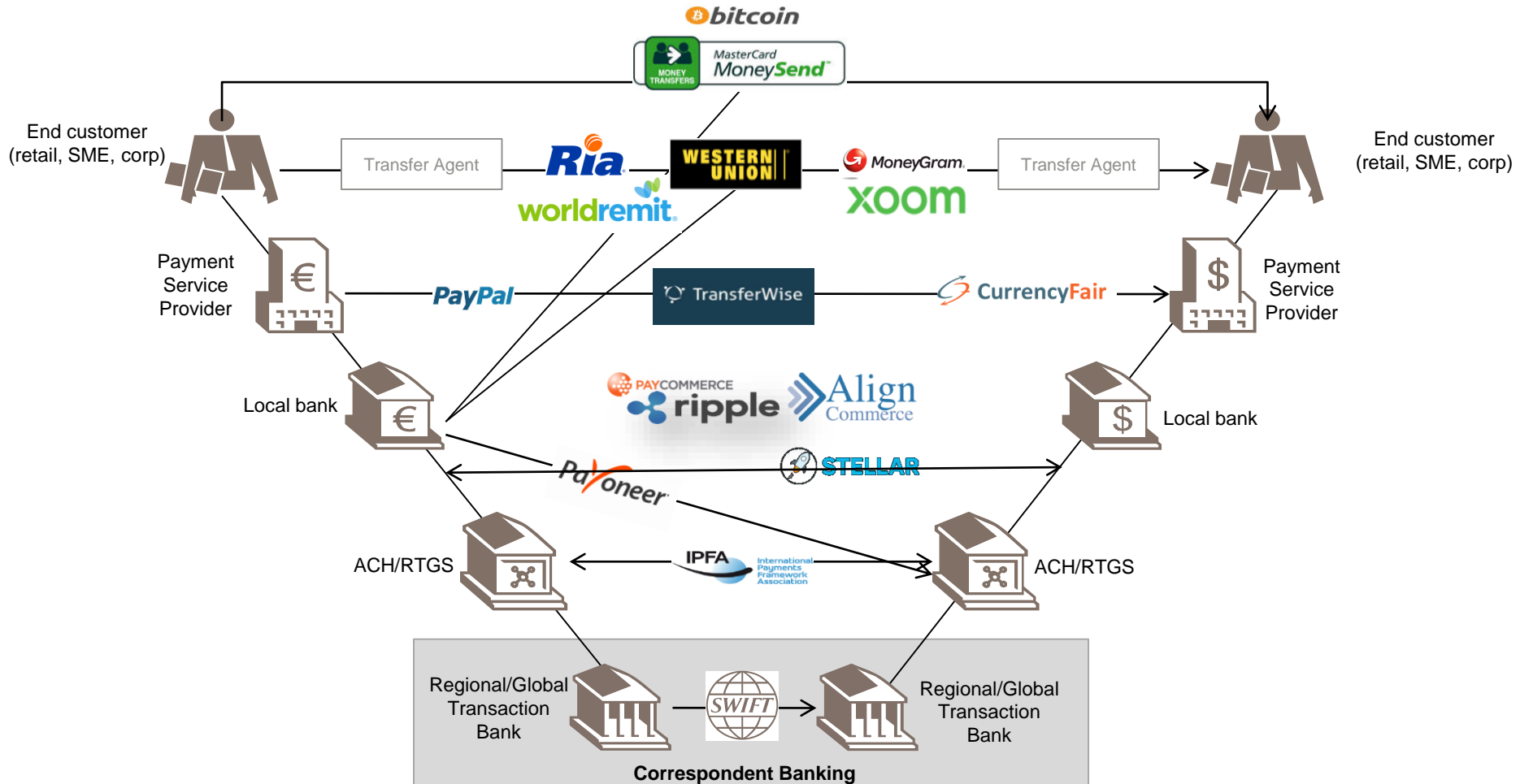
Correspondent Banking Disruption? (not yet)

Cross-border payments competition?



There is a lot of competition in cross-border payments

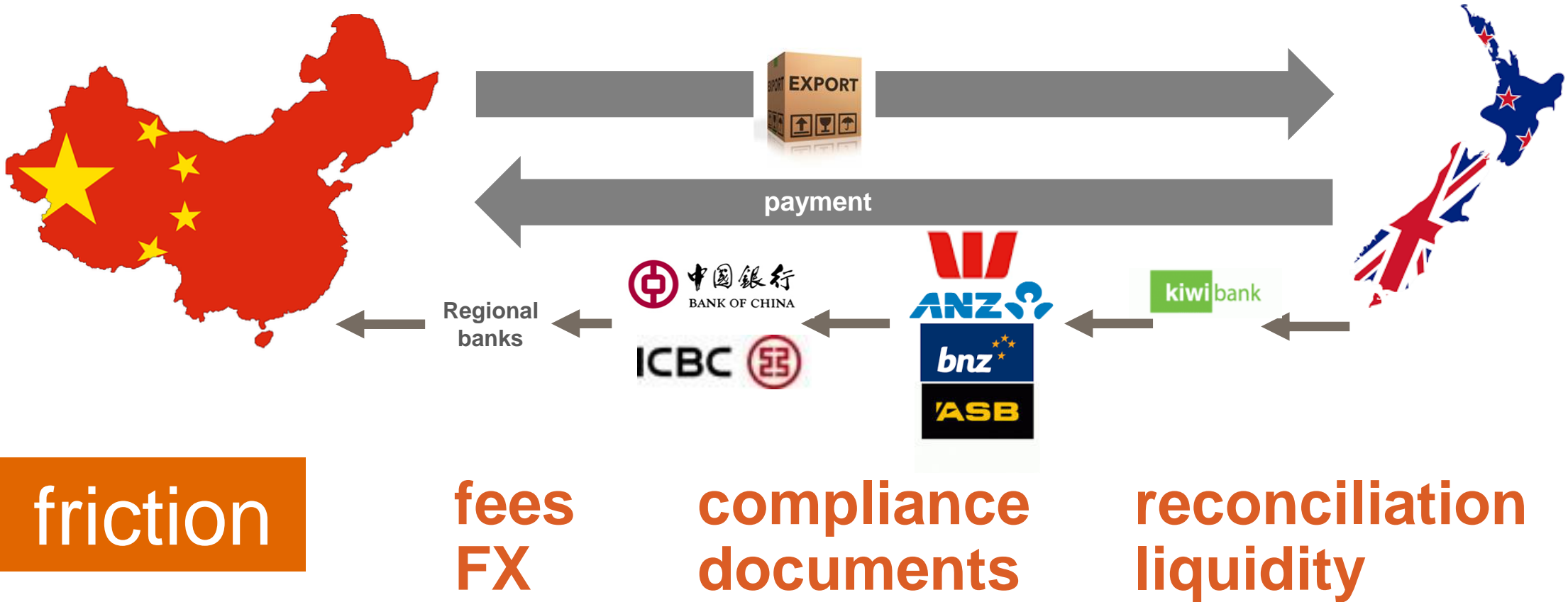
Correspondent Banking disintermediation



**How is competition
and the threat of
disruption improving
the cross-border
payments experience
for banks and their
customers?**



The system works very well but it is not frictionless



SWIFTgpi

“global payments innovation”



So what is SWIFTgpi ?

Addresses customer pain points

- Speed of payments
- End-to-end payments tracking
- Transparency of fees
- Remittance information

How is it achieved?

- **Banks:** all subscribing banks must conform to a new business and technical SLA for processing of cross-border payments
- **SWIFT:** has built 3 new cloud-based central services: gpi Tracker, gpi Directory and gpi Observer

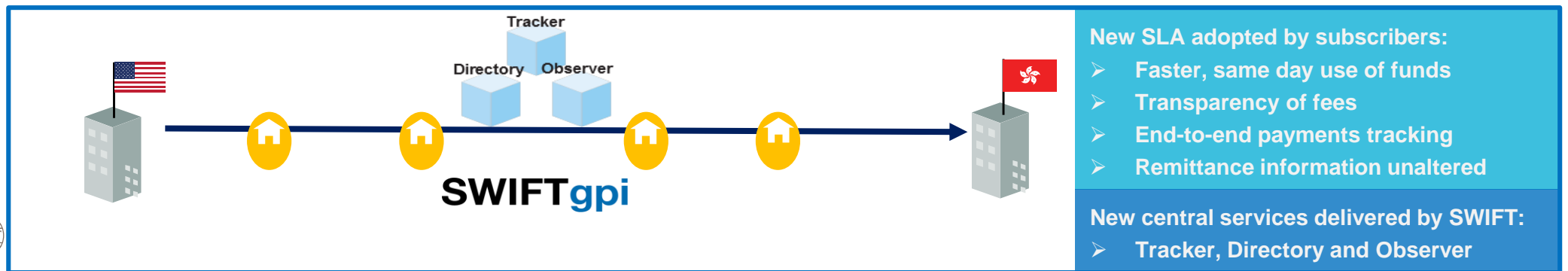
Providing the platform for continuous improvement and innovation



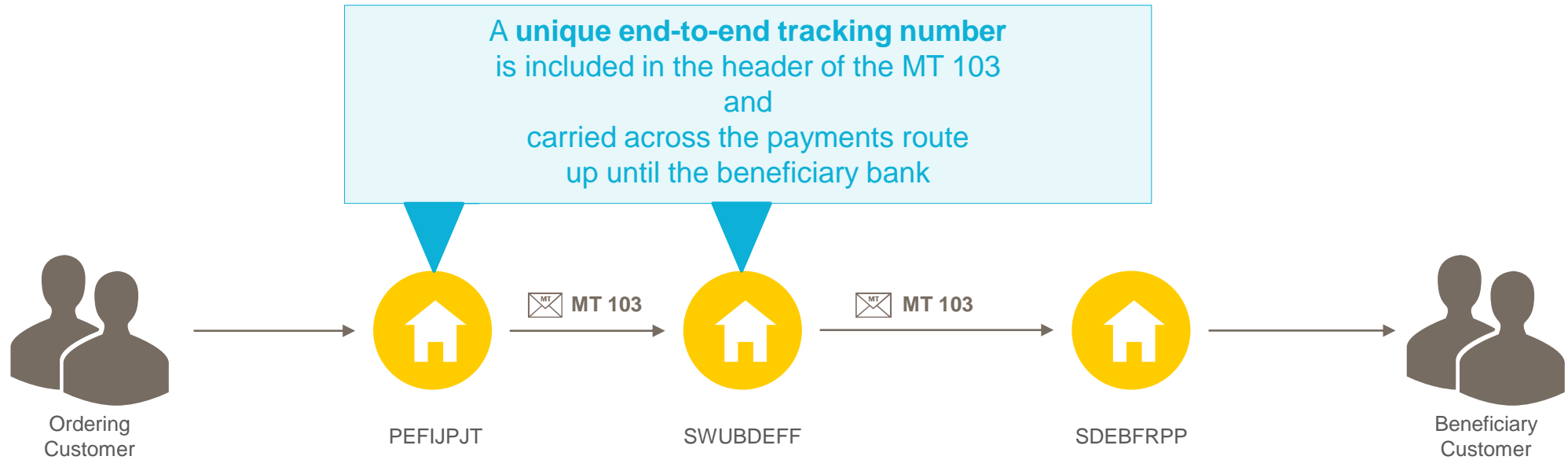
**So how have we
built a new
platform that
allows for
continuous
improvement and
innovation?**



Step 1: start with the core service



Key element: Introduction of a unique end-to-end tracking number





[← Back to search](#)

[← Previous payment](#) | [Next payment >](#)

Show in my local time

Final status 19 OCT 2017 - 12:31 PDT

Completed
Credited to beneficiary customer

Instructed amount Credited amount

485,000.00 USD → 484,930.00 USD

Deducts ⓘ

70 USD
BEN

Total duration

11hr 6min

Tracking number

3546553e-0967-4c5b-b380-036dcb1cbf46

Ordering customer

Beneficiary customer



SAVE WITH US BANK

BIC: SWUBDEFF

AUGSBURG
GERMANY

→

19 OCT 2017
10:25 CET

Sender's reference:
123456789

Sender's deducts: 20 USD

PROFITABLE AND EFFICIENT FINANCIAL INSTITUTION

BIC: PEFIDEHH

HAMBURG
GERMANY

→ | →

19 OCT 2017 | 19 OCT 2017
10:26 CET | 12:36 CET

2hr 10min

Sender's reference:
4586322488652555

Sender's deducts: 10 USD

SIMPLY DELIGHTFUL BANK

BIC: SDEBUS6W

SAN FRANCISCO, CA
UNITED STATES

→ | →

19 OCT 2017 | 19 OCT 2017
09:00 PDT | 11:20 PDT

2hr 20min

Sender's reference:
7846318431435174

Sender's deducts: 30 USD

BROKER DEALER OF ABSOLUTE PERFECTION

BIC: BDAPUS33

CITY OF INDUSTRY, CA
UNITED STATES

→ | ↑

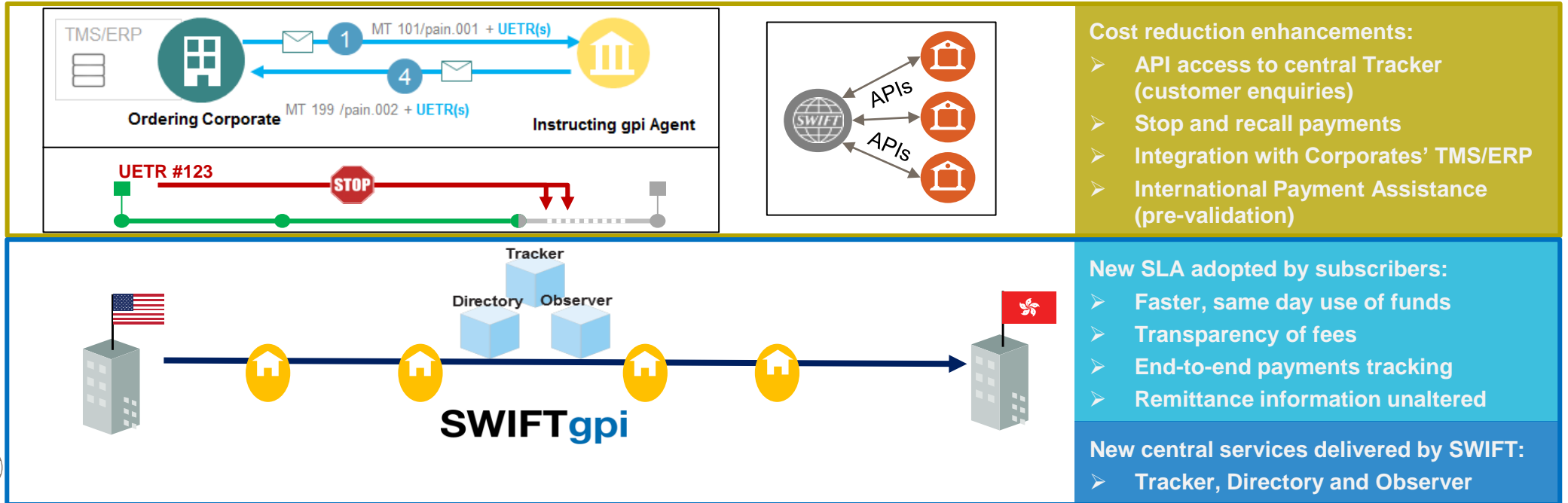
19 OCT 2017 | 19 OCT 2017
11:21 PDT | 12:31 PDT

1hr 10 min.

Sender's deducts: 10 USD

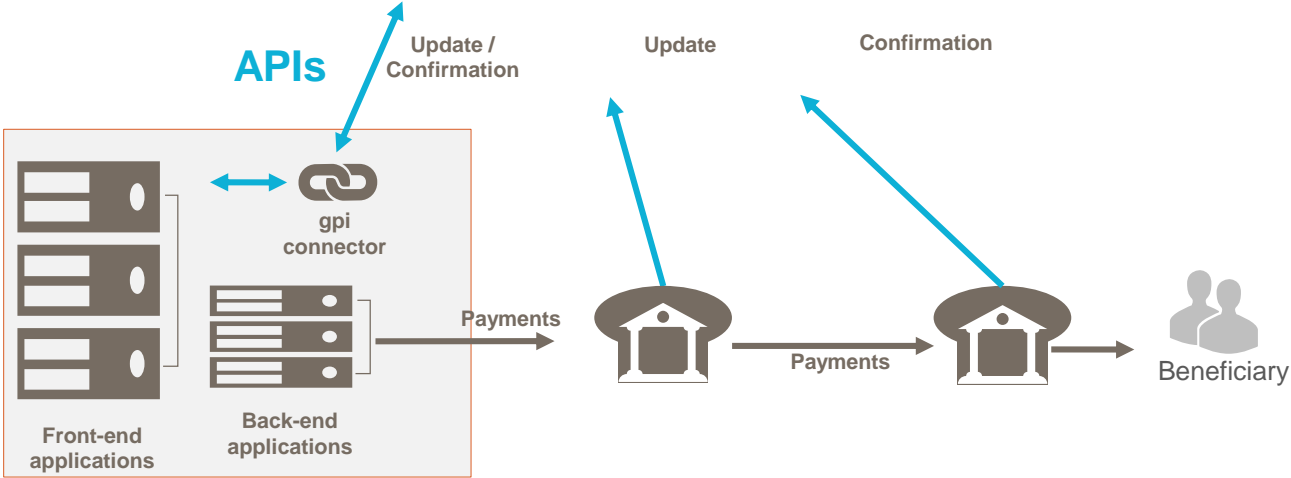
[See detailed history](#)

Step 2: focus on improvements that reduce costs for banks OR provides value added services that banks' customers are willing to pay for



Major cost reductions reported by banks who have integrated payments tracking into their customer channels using the gpi Tracker API

- 40+ banks with gpi APIs live or in implementation
- 13+ with live portal integration



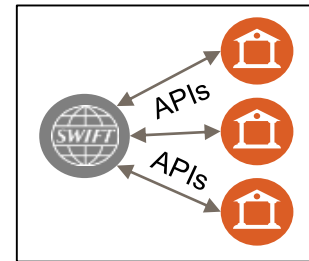
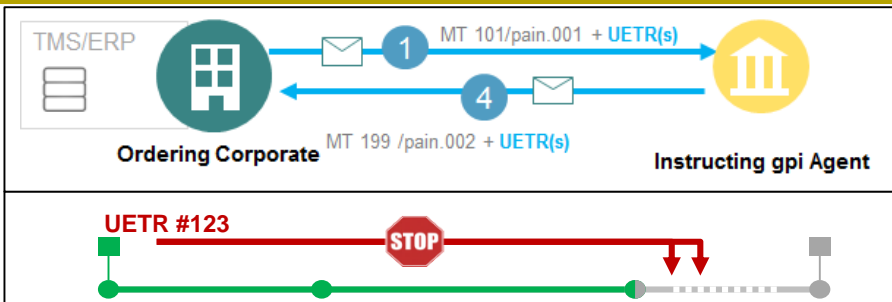
Step 3: facilitate open access and innovation

Facilitate Overlay services (FinTechs or Banks)

Bringing together banks and FinTech

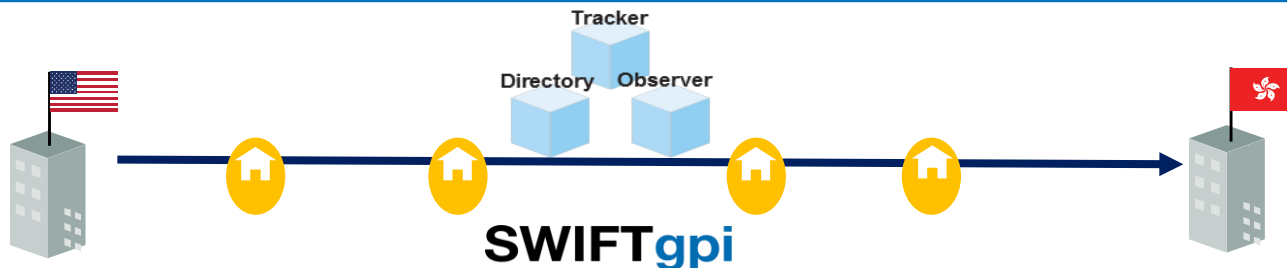
FinTech engagement:

- Request to Pay (Assembly Payments)
- A/R forecasting (AccessPay)



Cost reduction enhancements:

- API access to central Tracker (customer enquiries)
- Stop and recall payments
- Integration with Corporates' TMS/ERP
- International Payment Assistance (pre validation)



New SLA adopted by subscribers:

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

New central services delivered by SWIFT:

- Tracker, Directory and Observer



Introduction – SWIFT gpi Industry Challenge Workshop, 13th -14th September 2017

40

Bankers

30

gpi banks

5

Global FinTechs

2

Intensive Days

Co-creating Overlays

Innovative solutions to core problems

Over SWIFT gpi rails



Step 4: explore and embrace new technology (where it makes sense)

Explore new technology (DLT/Blockchain, AI, APIs, etc.)

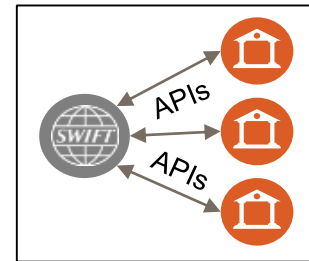
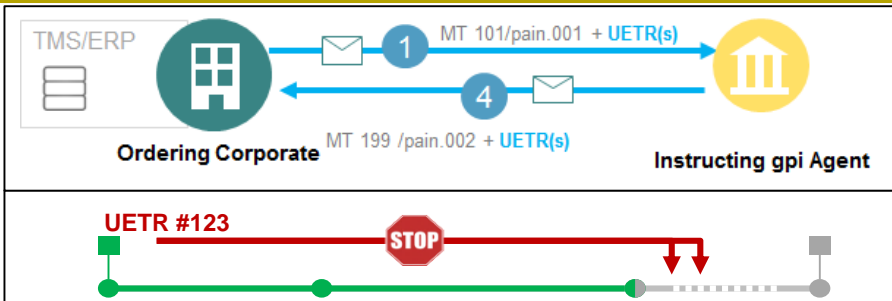
Example:

- DLT Proof of Concept for Nostro reconciliation & liquidity management

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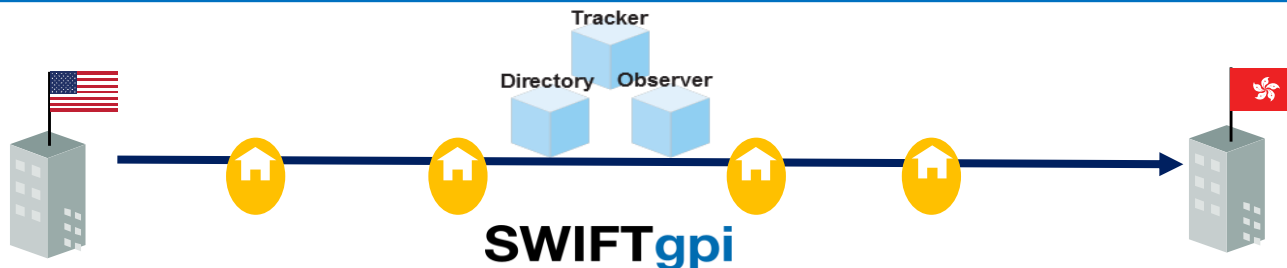
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New Technology Exploration – broader than gpi

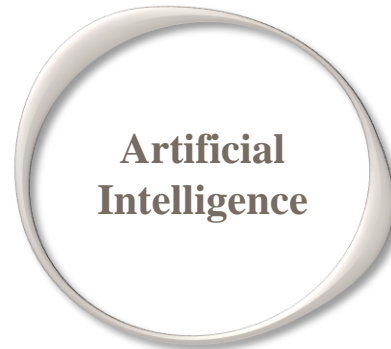


Drive Standardisation

Expose more SWIFT products

Allow third parties to expose their products

Development tools



Fraud detection

Reference Data

Payment message pre-validation and repairs



SWIFT footprint integration

Sandbox for 3rd Parties

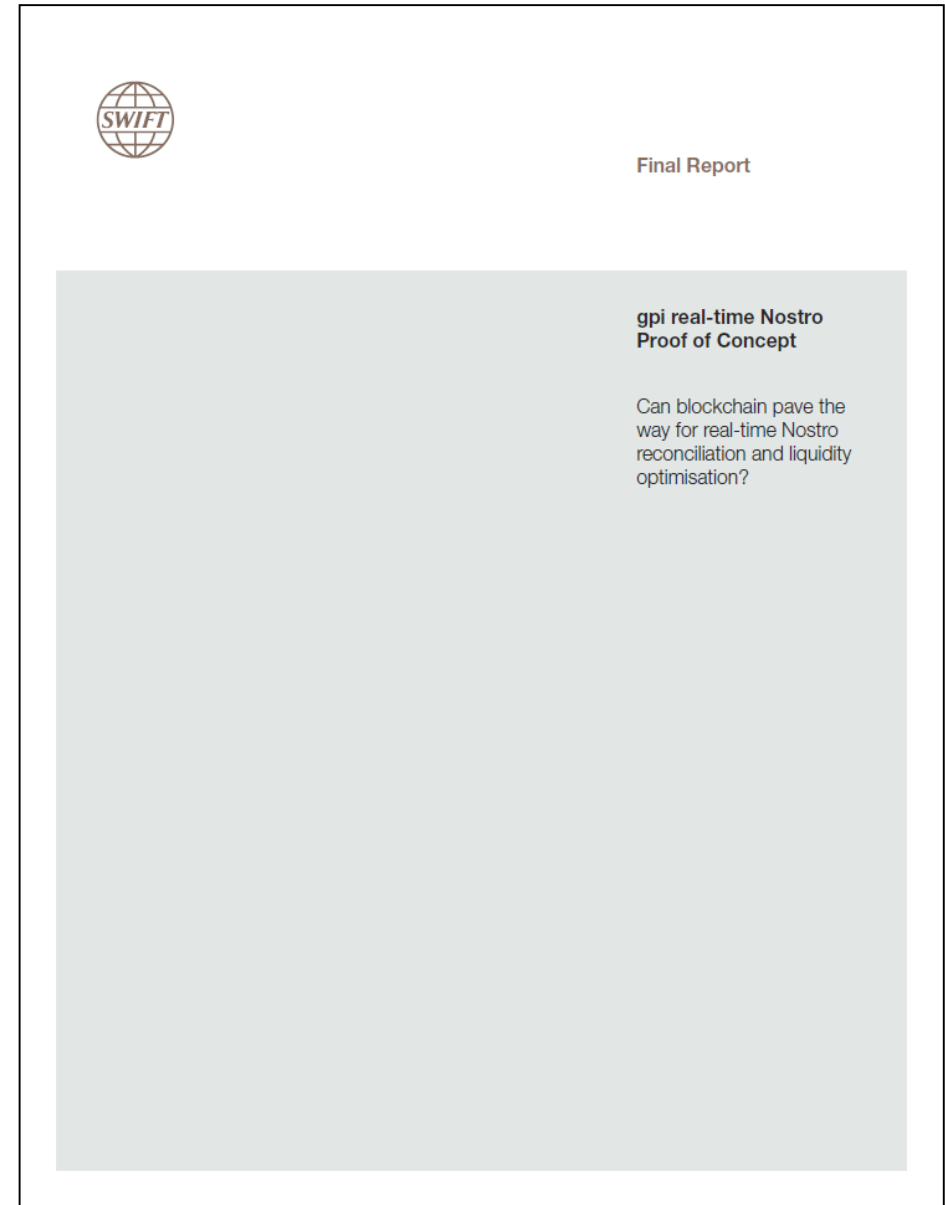
Thought leadership

POC's (Proxy Voting, SSI, Nostro)

SWIFT's DLT Proof of Concept

Can DLT help financial institutions optimise the real-time liquidity of their Nostro accounts and reduce the significant operational costs associated with reconciliation?

<https://www.swift.com/news-events/news/swift-completes-landmark-dlt-proof-of-concept>



SWIFT's landmark DLT PoC

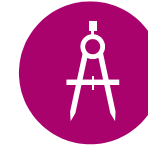
the outcome



DLT could deliver reconciliation and liquidity management business benefits



The PoC demonstrated significant progress in DLT



Further work still needed before DLT can be deployed at scale



Major back-office changes within banks a pre-requisite (e.g. batch to real-time)



Further adoption of APIs and ISO20022 data models will support easier integration for banks

So how successful is SWIFT gpi ?



Unparalleled growth in adoption, traffic and corridors

Very large
community

180

banks committed to implement,
49 top 50 banks signed

200+

countries covered

80+%

SWIFT cross-border payments
represented

Millions live
payments

60

banks live
32 top 50 banks

450+

country corridors

35+ Mio

payments sent as gpi since go
live 400K payments/day

25+%

cross-border MT103
sent as gpi

Delivering
real value

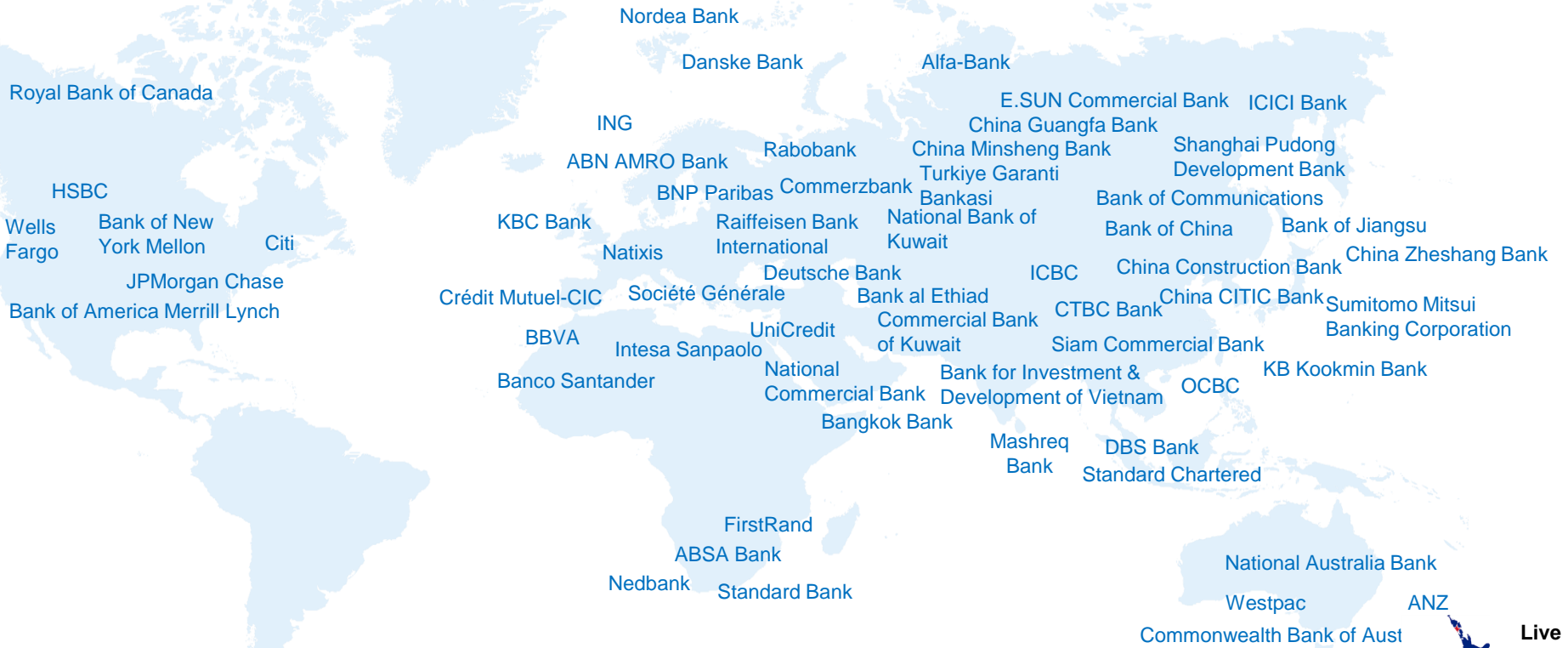
- Nearly 50% of SWIFT gpi payments are credited to end beneficiaries within 30 minutes
- More than 100 billion USD are being sent daily via gpi
- Significant drop in bank enquiry costs by as much as 50%
- Positive reactions from corporates



60 banks are live, with more than 119 banks in the implementation phase

60

gpi banks live



2019
Westpac
ASB

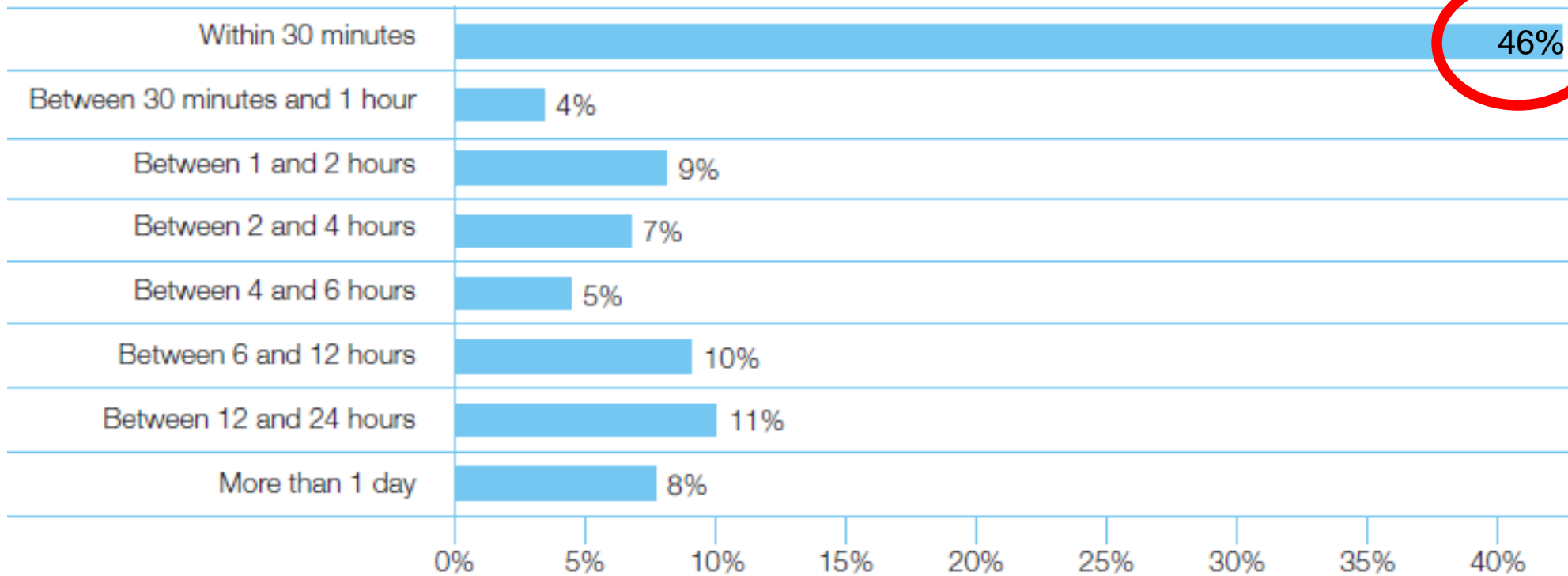
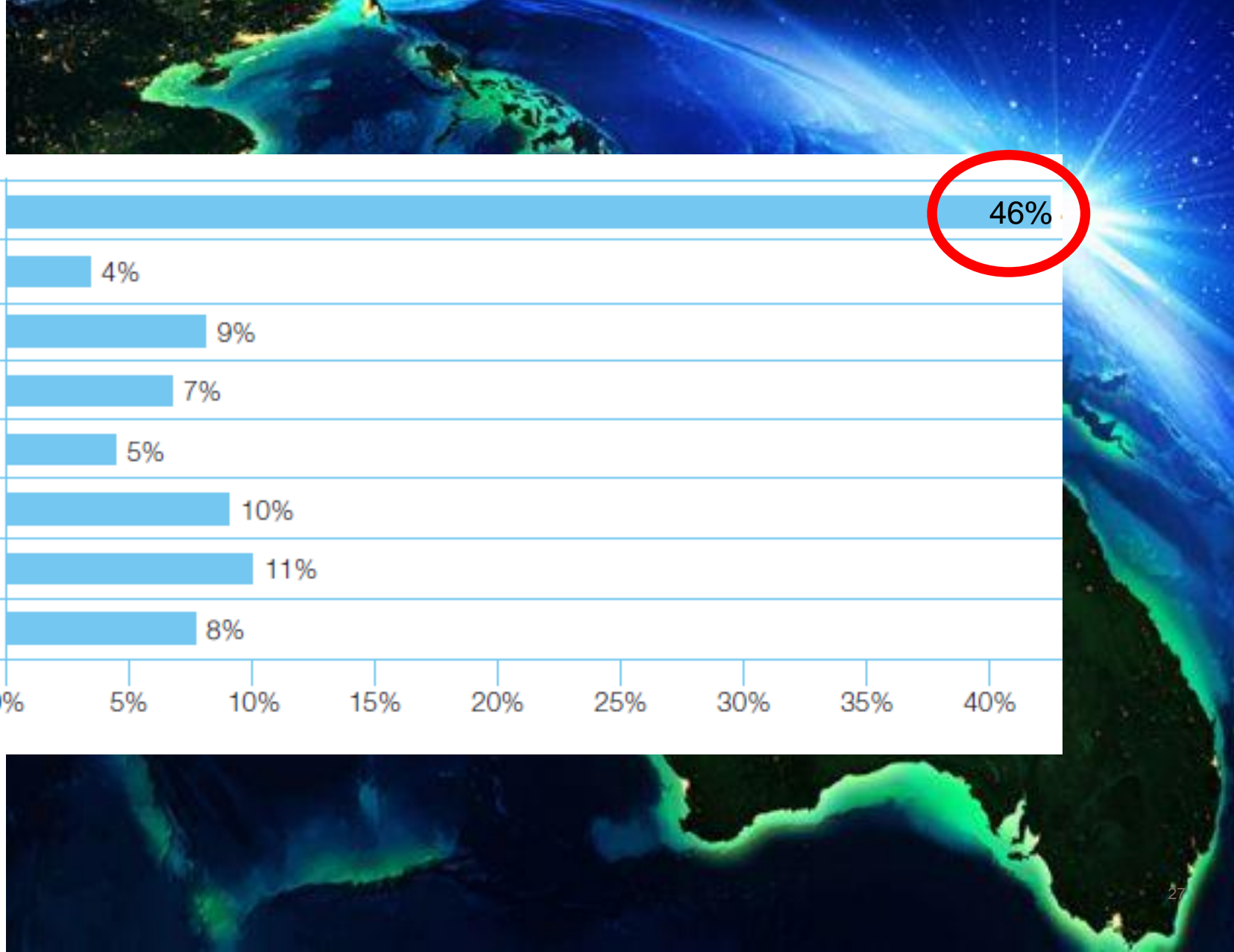
H2 2018
BNZ



Live
ANZ
CCB
ICBC
HSBC



SWIFTgpi is fast !!



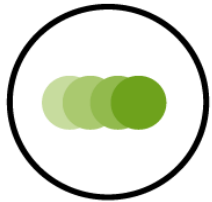
What's next?



Domestic systems are moving real-time

NPP: NEW PAYMENTS PLATFORM

It's an open access infrastructure for faster, more flexible, data-rich Australian payments



And many gpi payments are near real-time

8s

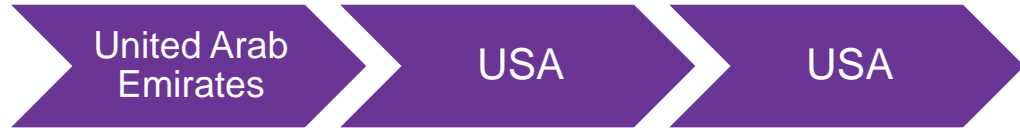
USD



Fastest payment, 2 banks / 2 continents

20s

USD



Fastest payment with intermediary, 3 banks / 2 continents



Linking gpi to real-time domestic systems

P2P payment
from SG to AU

to a GPI
bank in AU

to any bank in
Australia



from a GPI
bank in
Singapore

“inward & onward”
through NPP



So....

**is Correspondent
Banking about to
be disrupted?**





SYDNEY
22 - 25 Oct 2018

Enabling the digital economy





www.swift.com