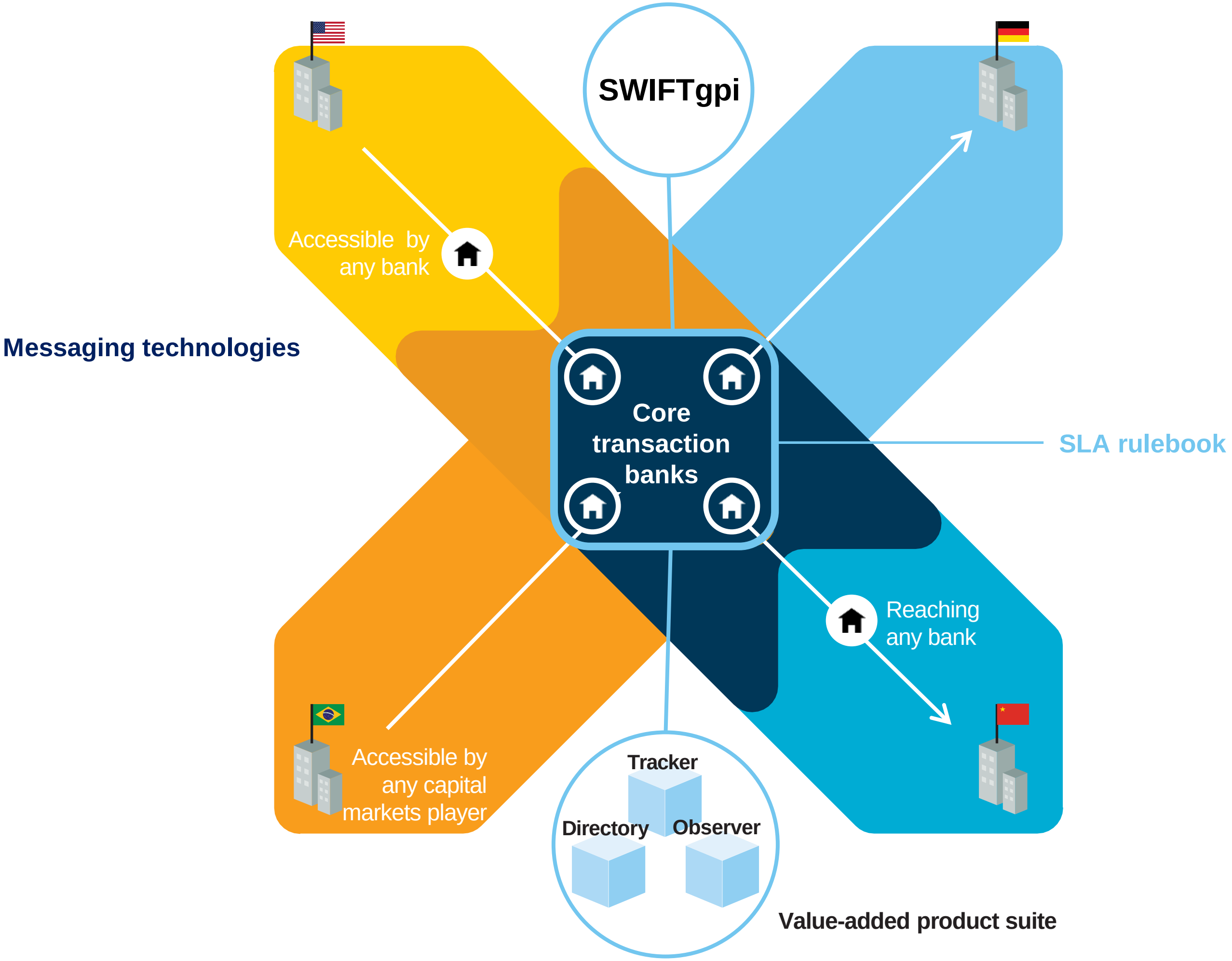
# SWIFT gpi –
## Any value for Capital Markets?

# gpi was designed to help the industry meet the needs of customers and regulators and the challenge of digital competition

**SWIFT gpi** is becoming the new **standard for cross-border payments** for sending and receiving funds **quickly** and **securely**, with full **transparency** over where a payment is at any given time.

It is the boldest and most important development in correspondent banking for decades.

Up until now, this functionality has been adopted mostly by banks, but we are now seeking traction amongst **Capital Market institutions** (fund player, broker dealer, asset manager and custodian).



# Moving cross-border payments to the 21$^{st}$ century

*"Yesterday"* |
**Traditional cross-border payments**

Slow, can take multiple days

No transparency on costs

No transparency on time

No confirmation of credit

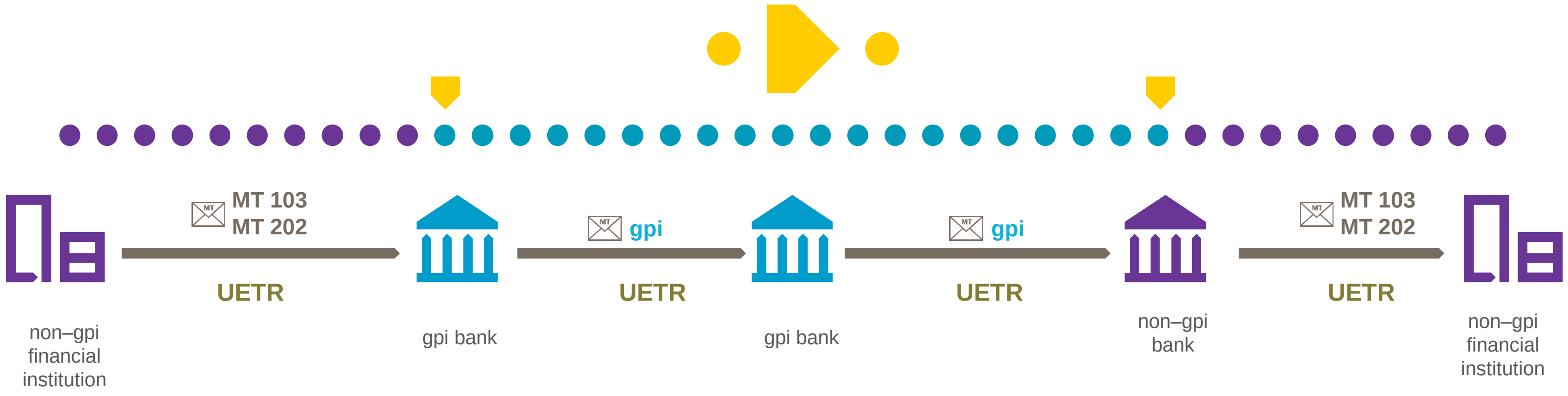
*"Today"* |
**SWIFT global payments innovation (gpi)**

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

(*) within the timezone of the receiving gpi member

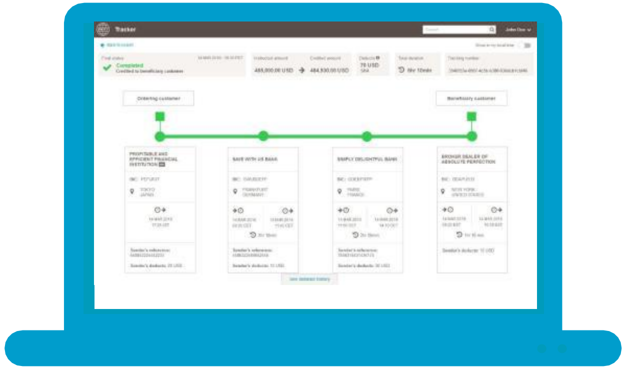
# Key element:
# A unique end-to-end tracking identifier as enabler for more insights and faster processing

A **unique end-to-end tracking identifier**
is included in the header of the payment message
and
carried across the payments route
up until the beneficiary



# Key features

## The Tracker

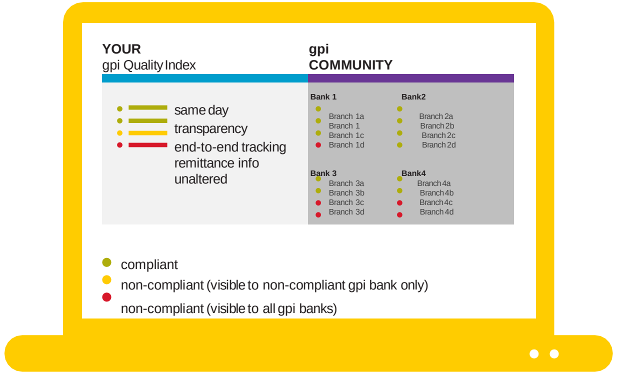


**End-to-end payments tracking database**
- to monitor progress of a gpi payment in **real time**
- to obtain **transparency on deducts**
- to receive **confirmation** that **payment** was **credited**

thanks to **unique end-to-end tracking identifier.**

**Accessible** via GUI **,** MT 199 and APIs

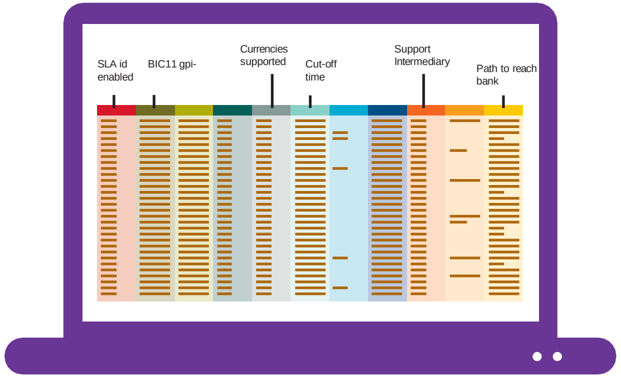
## The Observer




**Business Intelligence dashboard** showing gpi bank and community compliance with gpi SLA
- to **ensure control**
- to **monitor and enforce SLA**
- to **guarantee service quality**

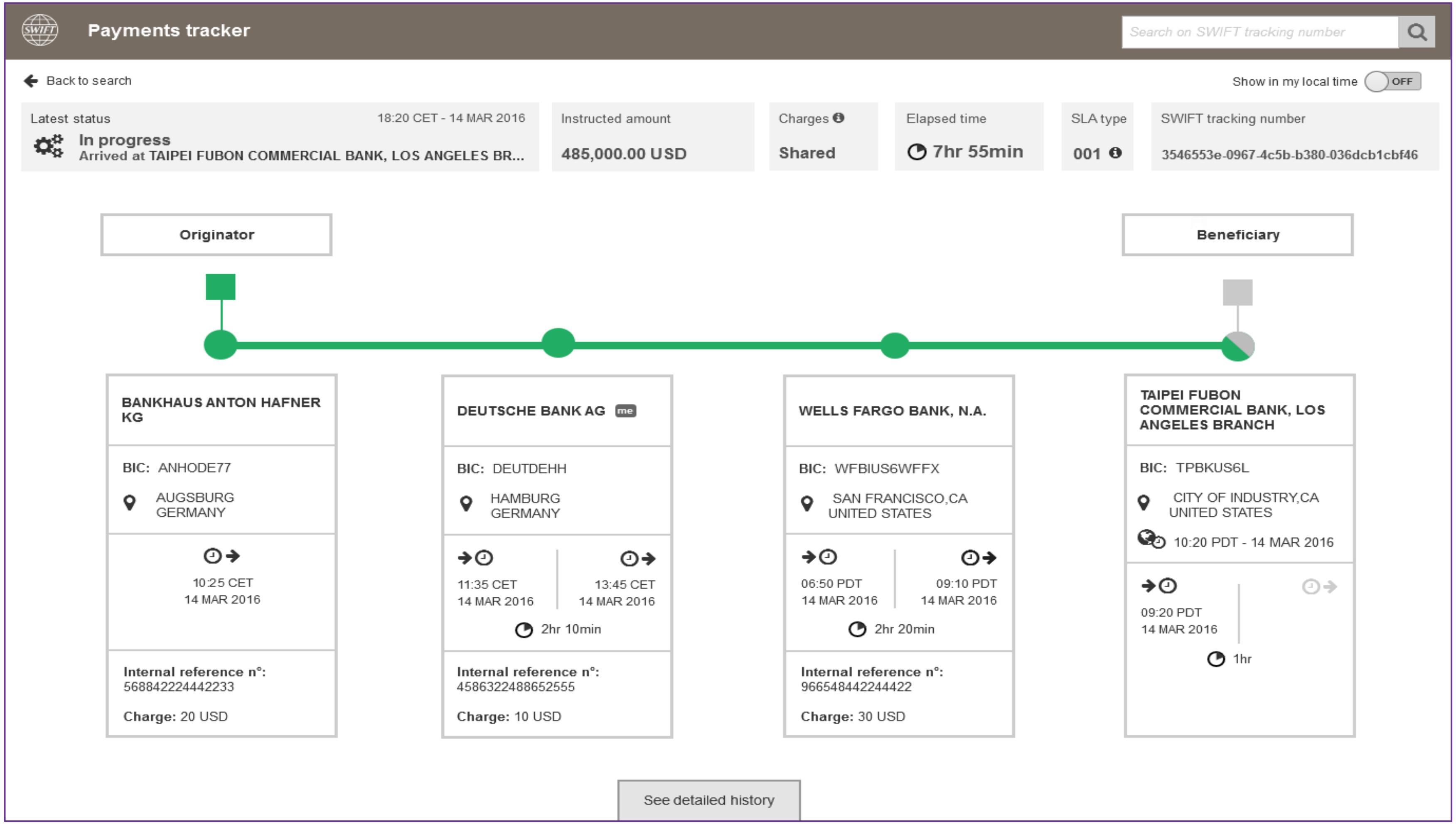
Observer Insights, available as part of the standard gpi service. Observer Analytics, upon demand

## The Directory




Directory providing **operational info on gpi members, BICs, currencies, cut-off times**
**- to calculate best gpi payment route**

# Tracker Visual



# SWIFT gpi is seeing unparalleled growth in adoption, traffic and corridors

Very large **community**

**3,600+**
banks signed

**480+**
banking groups
(60 of top 60 banking groups)

**200+**
countries covered

**80+%**
SWIFT cross-border payments represented

Millions **live** payments

**550**
banks live

**1,400+**
country corridors

**$300 bn**
payments sent as gpi every day

**55+%**
cross-border MT103 sent as gpi

Delivering real **value**

On average, **40% of SWIFT gpi payments are credited to end beneficiaries within 5 minutes**,
50% within 30 minutes,
75% within 6 hours,
almost 100% within 24 hours

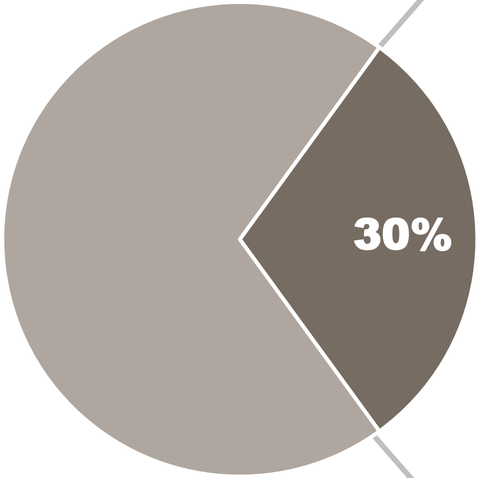
Banks have seen **significant reduction in number of payment enquiries** and quicker investigations handling

Positive reactions from Capital Markets community: asset managers, investment banks, fund players, custodians, ICSDs,..

# Why is gpi relevant for Capital Markets?

**>30% of FIN payment messages on SWIFT can be linked to Capital Markets activity**

**1**




- Capital Markets institutions exchange **both MT 103 and MT 202 payment instructions** with their counterparties. **Their value is significantly higher** than payment instructions exchanged by other types of customers.
- Capital Markets cross-border MT 103s only represent **10-15 %** of the MT 103s on SWIFT, but **their rate of growth is significantly higher** (10% vs 3%).
- Although there are differences per type of institution and geographical region, most Capital Markets institutions are **heavy users** of the MT 202, and today they represent more than **one third** of all the MT 202s on SWIFT.

Note: Source: SWIFT, based on internal analysis.

**2**

**gpi will start tracking the MT202 in November 2019**

# gpi consultation with Capital Markets

We carried out a broad industry consultation, interviewing over 40 large Capital Markets institutions including

Asset Managers/Funds players

Investment Banks

Global and Regional Custodian banks

Securities Market Infrastructures

# Benefits of gpi for the securities industry

## Reduce operational risk and cost through

- Real time tracking, which reduces exceptions and inquiries
- Performing investigations on payment legs of Securities transactions more simply and efficiently

## Optimise liquidity management by

- Enabling a real-time view of payments across different nostros
- Reducing the need for credit lines, overdrafts or additional cash borrowing
- Improving visibility on risk exposure

## Enhance customer experience by

- Improving data accuracy of the payment status
- Providing transparency on the fees taken
- Offering better settlement windows and improving cash management
- Re-investing surplus cash in assets or in the market

# Clearing & Settlement – Collateral Management

## What can gpi do?

**Track in real time** the status of payments for each participant in the payment processing chain

**Accelerate speed** of payment to be closer to provider cut-off times

## Why is this beneficial?

**Reduce costs and risks of managing exceptions** through real-time payment tracking, as mistakes/blocked payments can be identified and fixed sooner

**Provide an end-to-end view on critical payments** through certainty of credit

**Provide** clients with **better cash management** by offering better cut-off times and by crediting the securities proceeds to the client account faster. This allows optimisation of intraday credit lines, by making credit available for other operations.

USE CASE 1

### CCP variation margins

CCP requests margins are deposited on a daily basis to ensure settlement of trades ("margin calls"). Sums can be large and must arrive on time, otherwise the Clearing Member (CM) could be declared in default. There is no credit line on these payments to cover the sum. The CM must also follow-up on margin calls expected from its clients (Non Clearing Members or NCMs).

Tracking of incoming payments from clients and certainty of credit for outgoing ones enables the GCM/CCP to reduce operational risk of not fulfilling margin requirements.

USE CASE 2

### Reconciliation of cash payments

A financial institution might have a mismatch between the expected and actual payment amounts. Differences are discovered only when receiving the payment, or in the reconciliation process.

Tracing of incoming payments and transparency on fee and charges can facilitate the reconciliation process, enabling faster allocation of the funds to the settlement accounts.

USE CASE 3

## Collateral management

In Collateral management, monitoring all margin calls sent and received is often cumbersome, which means if a margin is missing, often the parties involved don't find out until too late, which leads to large claims.

Tracking of incoming margins and certainty of credit for outgoing ones enables real-time understanding of the risks associated with the collateral management process. This allows for them to be managed proactively, reducing potential costs.

USE CASE 4

## Settlement fails

Some settlement transactions (e.g. gross settlement or back-to-back) can fail if the financial institution does not have enough money on its account. This could be because their credit line is insufficient or they can't use it (e.g. when pre-funding is required).

Tracing of incoming critical payments enables the financial institution to avoid (or limit) the failure if the payments are missing or blocked by asking the client to cover the shortage.

USE CASE 5

## New issue settlement

An IPO is closing and the lead manager and the subscribers want to make sure all the expected subscriptions are collected. However, because they have to wait to see the payments in the next payment batch, their custodian (or (I)CSD) does not have time to chase up the missing subscriptions before the closing of the IPO.

Real-time tracking of incoming critical payments enables a faster reaction if some payments are missing or blocked.

# Corporate Actions

## What can gpi do?

**Track in real time** the status of corporate actions proceeds in and out, for each participant in the payment processing chain

**Accelerate speed** of payments to be closer to market cut-off times

## Why is this beneficial?

**Reduce costs and risks** related to corporate actions management through real-time payment tracking

**Provide an end-to-end view** on corporate actions proceeds through certainty of credit

**Provide** clients with **better cash management** by crediting the client account with corporate actions proceeds faster. This allows optimisation of intraday credit lines, by making credit available for other operations.

USE CASE 1

**Earlier credit of Corporate Actions proceeds**
(non-elective event e.g. interest or dividends)

There are often delays between the announced date of an income payment and the effective date of this payment. The financial institution therefore only pays the client when they see the funds are received and not on the basis of the MT566. This is usually after the initial payment date.

Through tracing incoming payments, Financial institutions have more certainty of funds arriving and can therefore credit corporate actions to client accounts earlier. They can also proactively follow-up on any missing payments with the agent.

USE CASE 2

**Events on lent and borrowed securities**

Financial institutions often lend securities to each other. When a corporate action occurs on those securities, a claim should be issued, which can often include follow-up work to check the status of the corporate action proceeds.

Tracking of incoming payments from the borrower enables a better follow-up on those corporate actions proceeds.

# Fund distribution

## What can gpi do?

**Track in real time** the status of fund payments in and out for each participant in the payment processing chain

**Display** all the details of **fees and charges** taken by intermediaries along the payment processing chain

## Why is this beneficial?

**Reduce costs and risks** related to exception management through real-time payment tracking, stop and recall and pre-validation of accounts

**Provide** fund clients **with better cash management** by allocating cash quicker and allowing more proactive response to client queries

USE CASE 1

### Difference in amounts

Unexpected fees might be taken along the payment processing chain. This can cause delays in allocating payments and leads to lengthy discussions with counterparties.

The clear display of all fees and charges on gpi enables faster reconciliation of issues. It also allows easier resolution of claim issues when there is disagreement with the client or the distributor about the amount.

USE CASE 2

### Fraudulent payments or mistakes

Payments can be fraudulent or sent with errors (e.g. incorrect amount, as above). When mistakes are discovered, it can be hard to stop or retrieve the payment.

The stop and recall service enables financial institutions to immediately stop payments in flight, reducing the risk of fraudulent or incorrect payment.

USE CASE 3

## Client queries management

A client claims that he has not received the payment sent to him. Due to difference in time zone, an immediate answer from the cash correspondent is not possible.

Tracking and tracing of payments enables Client Services to follow the payments exchanged, without needing to contact the correspondent, allowing them to respond quickly to the client's query.

USE CASE 4

## Fund administration

Some payments are stuck between two banks and are not yet confirmed. Without confirmation, they can't be allocated to the funds account, which can distort the NAV calculations of the funds.

Improved speed and tracing of incoming payments facilitates payment allocation to the funds account, enabling a more accurate NAV calculation.

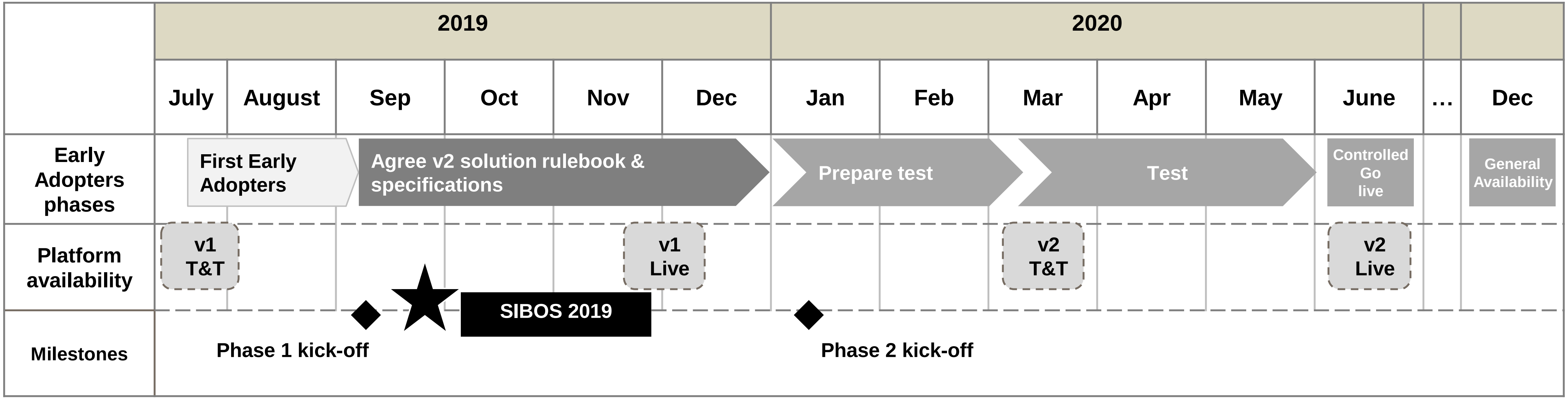
USE CASE 5

## Investment decisions

Not knowing where a client's payments are can delay an asset manager's investment decisions, which could cause some valuable investment opportunities to be missed.

Improved speed and tracing of incoming payments can accelerate payment allocation to the funds account, giving more accurate sight of position and enabling investment decisions to be made faster.

# Next step: implementation of MT202 Financial Institutions Transfers (gFIT)




**Phase 1**

**Goal : validation of gFIT v2 specifications**

- Learn from gFIT v1 implementation
- Help build gFIT value proposition for the industry: gathering end user testimonials sharing implementation effort and best practices

**Phase 2**

**Goal : prepare test, test and go live**

- Organization of test groups and use cases
- Help build gFIT value proposition for the industry: sharing implementation effort and best practices
- Controlled Go live by June 2020

SWIFT