SWIFT gpi/Universal Confirmations and Maximising its Advantages

Plan, Prepare, Embrace and Benefit

Plan

What is gpi/Universal Confirmations?

The SWIFT Global Payments Innovation initiative or gpi was prototyped in 2016 and introduced in the Standards Release 2018 requiring SWIFT members to adopt the use of a 36-character Unique End to end Transaction Reference (UETR) specified in the following payment instruction messages to enable payment tracking:

- MT103 - Single Customer Credit Transfer.
- MT103 - STP Single Customer Credit Transfer.
- MT103 - REMIT Single Customer Credit Transfer.
- MT202 - General Financial Institution Transfer.
- MT205 - Financial Institution Transfer Execution.
- MT202 - COV General Financial Institution Transfer.
- MT205 - COV Financial Institution Transfer Execution.

The UETR enables financial institutions to have visibility of any payment instruction using this common reference within SWIFT's Tracker database regardless of complexity or the number of counterparties involved. SWIFT payments involving multiple parties need to have the inward UETR transposed to any related payment message.

From 22nd of November 2020, all SWIFT users will additionally have to provide a status update known as a 'Universal Confirmation' to the SWIFT Tracker. Confirmations are required for the following typical scenarios:

- Pending status (e.g. for sanctions of AML processing delays or awaiting funds or documents).
- Rejection (e.g. Beneficiary details incorrect).
- Passing on payment to a non-SWIFT payment service (e.g. local clearing).
- Crediting of funds to the final beneficiary account.

Updating the tracker using Universal Confirmations.

An institution will need to consider its SWIFT processing infrastructure to determine the best option to update the gpi Tracker using one of the following methods:

- MTn99 Confirmations.
- "trck.001.001" ISO 20022 message (available SWIFT Release November 2021).
- API Calls.
- Manually update the tracker.
- Batch confirmation (CSV file).

The Universal Confirmations Deadline

Universal Confirmations will go live on the 22nd November 2020 and all FIN Users should provide them to the SWIFT Tracker.

SWIFT can detect non-compliance and from 1st June 2021, will begin to apply sanctions by limiting access to the web-tracker tool as well as highlighting organisations that are non-compliant. Non-compliance reduces the level of service an institution is able to offer compared to its competitors. This increases the risk of customers and correspondents switching to alternative institutions that can provide payment tracking.

The Benefits of Adoption

The SWIFT gpi initiative has benefits for payments organisations such as:

- Reducing the time and expense of responses to customer enquiries.

    o The web Tracker will provide detailed feedback of the status of all payments.

        ▪ Real time updates on payment progress.
        ▪ Information about delays.
        ▪ Confirmations upon settlement to the final beneficiary.

    o If an organisation is part of the gpi Message User group (MUG) then the Tracker can send status updates to it automatically. This helps to improve the service offering by enabling the ability to notify customers automatically about the status of their payment (e.g. SMS, e-mail etc.).

- Remaining compliant.

    o If you have relationships with correspondents that have already invested in gpi, they will leverage more benefits if you are also gpi compliant. This is a mutual business advantage that will help to improve relationships and operations.

    o Being compliant may also drive new business with other institutions looking to change to a partner that has embraced universal confirmations.

- Faster cross border payments.

- Fee and FX Transparency.

Organisations need to assess the benefits that gpi will provide in order to determine where investment is needed, together with the implications of not complying.

Prepare

Depending on the business requirements and payment volumes, some banks may decide to perform their gpi processing manually via the basic SWIFT Tracker. The majority of institutions that process SWIFT payments will undoubtedly opt for automation and must decide how to meet these requirements.

The choices are:
- Internal development.
- Core system upgrades.
- 3rd party vendors.

Internally develop

For institutions with the skills and availability of resources to dedicate to the gpi initiative, an in-house solution may be the preferred option. This will enable an organisation to have full control over the project and remove the need for vendor scoping, assessments and budget approvals assuming existing staff are familiar with specific software components.

This will remove resources from working on other projects and has the disadvantage of having to depend upon specific personnel. Knowledge sharing is essential when developing an in-house solution in order to protect against future issues such as staff turnover or absenteeism. All internally developed solutions should also factor in the challenges of MT-MX transition.

Core system upgrades

Core system vendors may offer gpi readiness via system upgrades. This will allow an organisation to be gpi ready via an existing vendor but will still require extra cost, software components, system testing and additional fees.

Core system updates are invariably problematic to install, time consuming, costly and resource hungry.

Without considering the other options available, a financial institution may feel pressured into accepting an expensive solution in order to become compliant by the deadline. Ensuring all options have been explored will allow an organisation to cost compare the core system proposal and make a more informed decision. The cost of an alternative solution can also be useful when negotiating with the core system vendor.

3rd Party Vendors

3rd party vendors allow an organisation to outsource the time and effort it will take to be gpi ready, freeing up internal resources to concentrate on core operations. A specialised vendor will be able to provide a cost effective solution that requires minimal resources from the institution to implement.

If an institution is operating on a system that lacks flexibility or will require significant effort to become gpi ready then utilising 3rd party messaging vendors is going to be beneficial.

Messaging providers can enhance legacy systems with off the shelf software ensuring the solution is not only gpi ready but also future proof. These providers will have a wealth of experience and they will undertake the maintenance of their solution to meet the evolving market needs. This is likely to be the most cost effective and strategic of the available options.

Can your payments system vendor support gpi / Universal Confirmations?

There are currently a handful of 3rd party vendors listed on SWIFT, who have confirmed their commitment to support at least one of the automated SWIFT gpi universal confirmations' channels (MTn99/trck.001.001.01/APIs) as per the universal confirmations' rulebook and as part of the yearly standard release support for all the customers using their application.

Aqua Global has confirmed that it will support any of the channels that its customers require.

e2gen's SWIFT gpi / Universal Confirmations solution

e2gen is a highly scalable messaging hub that is capable of automating high volumes of messages (payments or otherwise) from any electronic services and will leverage benefits from the new directives. e2gen will enable a smooth and cost effective transition to SWIFT gpi/Universal Confirmations as well as MX transition without the need for expensive and time-consuming core system upgrades.

Functionality of e2gen's solution

- UETR's can be used as a search value.
- The UETR is displayed for every relevant transaction.
- Outward payment messages will automatically have UETR information transposed or created.
- Automated production of Universal Confirmations for customer payments.

The extra functions available for Message User Group (MUG) members are:

- Additional ability to process Universal Confirmations for MT202/205 and MT202/205 COV.
- Automatic formatting of the gpi Service Type Identifier (tag 111) in the SWIFT Header to indicate gpi membership.
- Ability to send optional status updates to customers when tracker status messages are received.

Embrace and Benefit

Cross border payments have been slow to evolve, with slow settlement times, little transparency on the payment flow and high fees. SWIFT gpi is a great opportunity for an institution to gain a competitive advantage by improving the service to its customers and to raise the bar with relative ease.

Universal Confirmations are due within a maximum deadline of 48 hours in order to comply with SWIFT. Although, in reality these payments should settle quicker, the 48-hour swift deadline may satisfy SWIFT but it is unlikely to satisfy all correspondents. If an institution wants to benefit from SWIFT gpi, an automated solution that will process both payments and Universal Confirmations quickly will reap the greatest rewards.

Organizations need to look beyond the 2020 deadline and ensure the gpi solution they choose does not just get them over the line with a quick fix, but is also future proof to comply with the looming changes in the market, such as the transition to ISO 20022 MX messages.

Conclusion

SWIFT gpi and Universal confirmations will have a positive impact on the industry and can produce benefits for both banks and their customers.

All available options should be explored before deciding whether to develop an in-house solution or take a core system upgrade or to use 3rd party vendor solutions. Perhaps a combination of options may be the answer based on the existing infrastructure of the company, but consider the effects of the upcoming ISO 20022 MT-MX transition and the time and cost to include the additional message types into the overall solution.