



Fostering a harmonised payments ecosystem

In the next five years, we expect to see the much-sought-after pan-European payments system truly come together. The European Central Bank (ECB) and European Payments Council (EPC) have laid down strong foundational infrastructure, and what remains – as Yves Mersch, Executive Board Member of the European Central Bank, identified in a speech made in Paris in September 2018 – is for the region's banks to take advantage of these technological and structural advances to improve the usability and increase the efficiency of payments across Europe.

UniCredit is determined to work in partnership with banks and fintechs to answer this call for seamless pan-European payments services. We were among the few banks to implement and execute the EPC's SCT Inst instant payments on the first day of operation in November 2017 – taking advantage of the cross-border functionality of the scheme's SEPA format to execute the first instant payment between Italy and Germany.

UniCredit is also a pilot bank for SWIFT GPI – a vital tool in facilitating efficient transactions beyond the euro zone. While domestic payments systems are being upgraded in many jurisdictions around the world, there is still a large degree of fragmentation on a global scale. SWIFT GPI, however, enables banks and businesses to transact seamlessly across borders – settling payments on the same day they are executed, with 50% received within half an hour, and many within minutes or even seconds. The introduction of clear tracking for cross-border payments – a previously opaque area – is another important step forward, bolstered by the recent SWIFT GPI for corporates pilot, which adds multi-bank tracking.

Issues still persist, however, with no current functionality in place to provide tracking when

non-gpi members are involved in a cross-border payments chain. Looking ahead, the upcoming MT Release 2018, scheduled for November, will be a welcome upgrade – eliminating these problems by mandating all SWIFT members to pass on payment reference numbers, even if they aren't members of the gpi programme.

Combined, SWIFT GPI and instant payments will become the foundations for a future-ready payments market, but there is still room for innovation. PSD2, which, from September 2019, will oblige banks to provide licensed third parties with open access to their clients' account data, has opened the door to Open Banking, bringing new models of payment – such as “push” payments – and greater scope for bank-fintech collaboration.

UniCredit, for its part, is keen to embrace the possibilities of Open Banking. The bank is already engaged in a number of fintech collaborations, including a partnership with Alibaba to provide payment services for Chinese account-holders in Italy, and we continue to seek new partners that can add value for our clients.

Certainly, the opportunity is there for the payments industry to mature into an efficient collaborative ecosystem, developing and deploying products that ultimately benefit banks' corporate clients. Underpinning all of these infrastructures are SWIFT's ISO 20022 messaging standards. With ISO 20022 slowly establishing itself as the global industry standard – boosted by adoption from central banks such as the ECB (for TARGET2, T2S and TIPS) and the Bank of England (for the upgraded Faster Payments System) – the industry is moving towards a fully interoperable payments market, able to transact funds domestically, regionally and globally without compromising on speed and transparency.