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Banks and fintechs: a dream team for international payments

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Bruno Mellado, the head of international payments and collections writes in GT News about the complex nature of international payments and how new initiatives are poised to add value to the industry.

International payments are complex by nature, due to both currency and individual country requirements. Working as partners in this area, banks and fintechs can offer high-value, complementary responses ? provided that when they construct the partnership the different bricks are smartly integrated and banks maintain overall control of the relationship.

With each currency having its own set of restrictions and specificities, paying abroad and getting paid from abroad can easily look like an obstacle course. Yet no wave of a magic wand ? or even blockchain in its potentially most accomplished form ? is powerful enough to overcome the full range of challenges that corporates face when it comes to international payments and currencies.

Innovation in the payments domain is an ongoing journey and based on continuous improvement. What?s evident is that it is unreasonable to expect a major disruptive technology such as blockchain to relieve the pain points experienced by corporates when paying ? or being paid ? from abroad.

Bringing strong value

Thanks to major evolutions such as SWIFT?s global payments innovation (gpi) initiative (which went live last month) the ideas and solutions brought by fintechs -combined with our own new offerings ? will bring significant value to international payments now and in the near future. There are many reasons to support this optimistic outlook; here are just three of them:

- ***SWIFTgpi* will address major shortcomings of the interbank network:** The new service has already started providing faster, traceable, and less expensive international payments. This will be a reality in 2017 as it rolls out across the world. Further developments will see the use of distributed ledger technology (DLT) and SWIFT, already being network-based, is strongly positioned to boost adoption of the new standard. BNP Paribas is at the forefront of this industry movement and already has a pilot underway with a leading corporate.
- ***Banks are continuously improving their services***: For example, at BNP Paribas, our team is creating new features that enhance convenience when choosing foreign exchange rates or pre-agreed rates to execute or receive operational foreign currency flows.
- ***Fintechs are critical to an improved user experience and a wider range of services***: Banks also play an essential role in supporting the development of fintechs? client base and bringing their extensive data, network and liquidity to support them in a win-win combination. This is precisely the spirit that drives partnerships such as BNP Paribas?

with the cross-border payment network Earthport, a fintech whose value proposition is to extend the highways of local automated clearing house (ACH) destinations.

Sharing risks and rewards

Combined with the bank?s established network and operational resources, such as liquidity to fund payments, fintechs? solutions can greatly and rapidly improve the deal. However, a win-win partnership demands that the risks and rewards be equitably shared between stakeholders; given today?s highly-regulated operating environment, the symmetry is far from perfect.

Banks and fintechs must also work towards a business model capable of benefiting both parties, under which banks can take a stake in fintechs to support their scalability and sustainability. Banks are ultimately responsible to corporates for a seamless service, thus the integrated service that encompasses the contribution of fintechs must provide identical standards of excellence. This is possible if banks maintain their role as ?quality guardians? of the relationship with corporates.

Again, we should never forget that international payments are complex by nature due to the specific requirements linked to currencies, and here only information and expertise can help anticipate potential problems. These can prove complex and are addressed in detail by BNP Paribas? global Currency Guide (see below), which currently covers more than 130 currencies across 400 pages.

In the end, banks must become excellent service integrators to manage complexity and ensure that corporates keep full visibility on all their international flows. Why does this remain a critical feature? Because less visibility either demands higher capital buffers or potentially leads to missed hedging opportunities. In addition to these risks, lack of visibility can eventually generate costs that are higher than those resulting from the inefficiencies that the bank was originally aiming to solve.

- **BNP Paribas Currency Guide: a cure for complexity**
  Making successful payments in more than 130 currencies is made easy thanks to the *BNP Paribas Currency Guide*. This operational tool is designed to support corporates faced with the challenge of making international payments, who want to ensure the success of international payment operations while avoiding pitfalls. Available online, the Currency Guide unveils the *why?*, *what?* and *how?* of making international payments. Further information is available at www.cashmanagement.bnpparibas.com/cg

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