Navigating SWIFT gpi for Corporates at Naval

BNP Paribas and Kyriba Join Forces

With innovative partnerships across the globe, Christophe Beuvard, Treasurer, Naval Group, knew that having full transparency over outgoing payments was vital for maintaining excellent supplier relationships. By working with BNP Paribas to implement SWIFT gpi for corporates and rolling out the bank's new Pay and Trace capability, Naval Group can now self-track cross-border payments in real time. Enriched data, including details on routing and fees, is fed directly into Naval Group's treasury management system, Kyriba, and further innovation is in the pipeline.

Posting revenues of €3.7bn in 2019, Naval Group is the European leader in naval defence. For over four centuries, the group has designed, built and supported surface ships and submarines in close relationship with the French Navy to sustain its sovereignty. Naval Group is also an international and global player that strengthens its footprint worldwide through its presence on 4 continents and

in 19 countries including Brazil, Canada, Saudi Arabia, India, Malaysia, Singapore, and Australia to ensure a sustainable presence close to its clients. The company's treasurer Christophe Beuvard states: "As part of our international development, Naval Group is working with more and more overseas naval fleets, developing them in a spirit of mutual trust with warships and submarines."

Given the specialist field Naval Group operates in, and the nature of the national defence contracts it undertakes, relationships with suppliers are critical. "As such, it is vital for Naval Group to have the ability to track any payments we issue – in order to forge and maintain strong bonds of trust with our partners," says Beuvard.

In the past, Naval Group had sometimes encountered issues with cross-border payments: what with time zones, language barriers and different banks involved it can be hard to get information about

By **Tom Alford**, Deputy Editor

where a payment is. "And if our suppliers are not paid on time, that is a real issue for us. Certainty around our cross-border payments is critical for securing our projects abroad and remain competitive and efficient – as per our strategic plan," he notes.

A community-led solution

With this in mind, Naval Group decided to implement SWIFT gpi for corporates (g4C). Beuvard turned to the group's major cash management bank, BNP Paribas to assist with this endeavour. One of the services he was particularly interested in was the bank's Pay and Trace capability, which went live in June 2020.

As Wim Grosemans, Head of Product Management Payments & Receivables, BNP Paribas Cash Management, explains: "Pay and Trace enables gpi payment status reports [PSRs] to be automatically integrated into a corporate's TMS [treasury management system] or enterprise resource planner [ERP]. This provides complete transparency over gpi payments at any point in time – without the corporate needing to contact the bank."

Beuvard is delighted with the innovation: "Since BNP Paribas introduced the Pay and Trace solution, we have been able to follow the processing of our outbound payments even more closely – without any need to make a request to the bank as the information is fed directly back into Kyriba." The PSRs, routed by BNP, are integrated throughout the day into the TMS, he says. And each PSR includes the Unique End-to-end Transaction Reference (UETR), which can be generated by the corporate when the payment is initiated, thereby facilitating reconciliation.

Giving the corporate ability to initiate that UETR is an important feature, stresses Steven Lenaerts, Head of Product Management, Global Channels, BNP Paribas Cash Management. "When a corporate generates the UETR, this is a guaranteed unique reference that no other bank or corporate will be using and that will be carried along the whole GPI chain. This puts the treasurer in the driving seat regarding their outgoing payment and enables them to tie in any further feedback on that payment into their own TMS or ERP system."

And for those corporates that do not have the right technology in-house to generate a UETR, technology vendors can assist, says Frédérique Dupas, Product Manager GPI, Kyriba. "Treasurers can use the Kyriba system to generate a UETR – we simply perform that task on behalf of the corporate client and then ensure that the reference is passed on to the bank(s) and used consistently in the system. Naval Group actually leverages this benefit in Kyriba to ensure end-to-end transparency over its payments," she notes.

CHRISTOPHE BEUVARD

GENESIS OF PAY AND TRACE

SWIFT gpi was born as an initiative between banks to create a better cross-border payment experience, says Grosemans. "Clearly, we then saw a great deal of interest from corporates and their key partners, including TMS providers such as Kyriba. A working group was then created to focus on corporate gpi services and a true community effort between corporates, banks, fintechs and vendors to co-create solutions around the SWIFT gpi building blocks," he explains.

The first service discussed by this working group was the ability to create a true market standard for initiating a payment on the corporate side, with a UETR, and to be able to track this payment from start to finish through real-time status reports. "Alongside interoperability, the key here was to ensure automated integration with the corporate's TMS or ERP platform, so that no contact was needed with the bank," says Grosemans. This was the concept for Pay and Trace.

Turning that idea into reality required a collaborative effort, as Lenaerts recalls. "Ensuring Pay and Trace worked as seamlessly as our corporate clients expected meant conducting numerous bilateral tests. We worked closely with Kyriba and SWIFT at this stage to ensure that PSR files automatically integrated into the treasury system. The tests went extremely smoothly and Kyriba finalised its part of the integration in May 2020, ahead of the go-live in June."

In fact, Kyriba was the first TMS vendor to complete bilateral tests with SWIFT, using both MT and XML formats, according to Dupas. "Of course, there is also testing to do from the corporate side, but this should not be viewed as an obstacle to implementation. Corporates are completing the testing phase with their banks, vendors, and SWIFT, very quickly — and there is very little groundwork to do, compared with the significant benefits on offer," she observes.

For corporates not equipped with such a system able to integrate the Pay and Trace status reports, BNP Paribas alternatively provides an online view of the gpi payments in the ebanking tool, Connexis Cash, where a metroline showing all the steps and info of the payment is available.

FRÉDÉRIQUE DUPAS

> "
> *We can now monitor our outgoing payments with more precision, and this perfectly reflects Naval Group's desire to always implement the most innovative and efficient solutions.*
> "

Turning data into benefits

"With Pay and Trace, we can see all of the detail relating to the payment," enthuses Beuvard. "We receive richer data than a traditional MT103 and can self-track cross-border payments until they are processed by the beneficiary banks, with real-time status updates as well as details on routing and fees. The alert functionality, to make us aware when a payment is stuck, or reaches its final destination, also greatly improves our treasury processes," he explains. "And if there is an issue with a payment, we can be much more responsive, which enables us to optimise supplier treatment and speed up the entire payment process."

Of course, there are working capital benefits as well. "Pay and Trace actually enables us to hold on to cash for longer, since there is no need to account for potential blockages and leave a window of time for the payment to arrive. In other words, knowing the payment will arrive on time means that Naval Group can keep cash invested for longer." Furthermore, when payments are made in a timely and reliable manner, suppliers can free up more credit capacity for Naval Group – which makes good business sense.

Looking at all of the benefits, Beuvard believes the most useful aspect of Pay and Trace is the rapid access to information. But he is delighted with the overall solution and close co-operation between Naval Group and BNP Paribas-enabled treasury to make the system work as well as it should. Says Beuvard: "The fact that we were able to work very closely with BNP Paribas and Kyriba on the implementation of this solution made it possible to be very active during the validation of the project – which meant it was directly tailored to our needs."

Additional innovation

Naval Group is keen to continue working collaboratively with its partners on future developments. One functionality Beuvard would like to see is tracking for inbound payments. "Being able to receive notifications about when funds will be received, or if they are stuck in transit, would definitely improve cash flow forecasting. And, in these challenging economic times, having complete visibility over incoming cash flows is more important than ever."

Beuvard is not alone in wanting this inbound tracking functionality and the SWIFT working group is currently looking at this capability. Grosemans notes: "Having the ability to track incoming payments is the logical next step for g4C. SWIFT sits on huge amounts of payments data and being able to transmit that data to the corporate could significantly assist their liquidity management. So, we are currently looking at ways to bring more value to corporates with inbound tracking functionality – but it has to be a community effort, with standardised processes." Dupas echoes this, adding that "Kyriba is currently working with corporates, including Naval Group, on inbound payment tracking using different formats".

Lenaerts predicts that this inbound tracking functionality could, in future, be useful when closing high-value deals. "Naval Group sells valuable battleships and submarines across the globe. Using an inbound tracking functionality, it would be possible for the end customer to view and approve the naval vessels and then send a real-time, tracked gpi payment to Naval Group, on sight of the merchandise. This removes the risk for the buyer and also for Naval Group. As such, this inbound tracker could become a strategic tool to make companies more competitive, while removing the risk of non-payment."

Beuvard agrees with Lenaerts on the possibilities, saying: "The more information we can have in our systems, the more we can be efficient in our work." He concludes: "We are proud of the benefits we have already achieved in partnership with BNP Paribas and Kyriba. We can now monitor our outgoing payments with more precision, and this perfectly reflects Naval Group's desire to always implement the most innovative and efficient solutions." ▪

VALUE CREATION THROUGH INNOVATION ▪

While the g4C inbound payments tracker is in development, BNP Paribas has created its own solution for incoming payment tracking for its clients' counterparties – called BENETracker. Lenaerts explains: "This is a DHL-style tracker, aimed at making beneficiaries aware of the status of specific payments that are due to them. It is directly accessible by beneficiaries in order to minimise the time spent chasing outgoing payments and allows them to access a public space where they can see non-confidential data about the payment. This complements the gpi tracker offering."