Standards Release 2017 webinar for market infrastructures

Introduction to the SWIFT gpi related changes

February, 2017

Webinar Houseeeping Rules

To ensure a smooth presentation, we will handle **the questions** at the end of the webinar.

During the webinar, please share your questions in the « Q&A » window and send it to « All panelists »

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Goal of this Webinar

1 - SWIFT gpi: an introduction

2 - Introduction to the dedicated gpi fields:

- Description
- Usage in FINCopy and FINInform
- Usage in V-Shape MIs

3 - Additional Considerations

- Testing options
- Additional information

1 - SWIFT gpi: an introduction

1 - SWIFT gpi: an introduction

The correspondent banking model is under pressure

Customers and regulators push for better payments service	**Banks rationalize their correspondent banking networks**	**Digital innovators offer new disruptive solutions**
End customers increasingly demanding Domestic payments going real-time	Regulatory intensity and increasing costs Network rationalization	Disintermediation Enhanced value proposition

1 - SWIFT gpi: an introduction
SWIFT global payments innovation

SWIFTgpi

Accessible by any bank

Still reach non-gpi banks

Core transaction banks

Messaging technologies

SLA rulebook

Reaching any bank

Accessible by any corporate
(via SWIFT or bank channel)

Tracker

Directory Observer

Value-added product suite
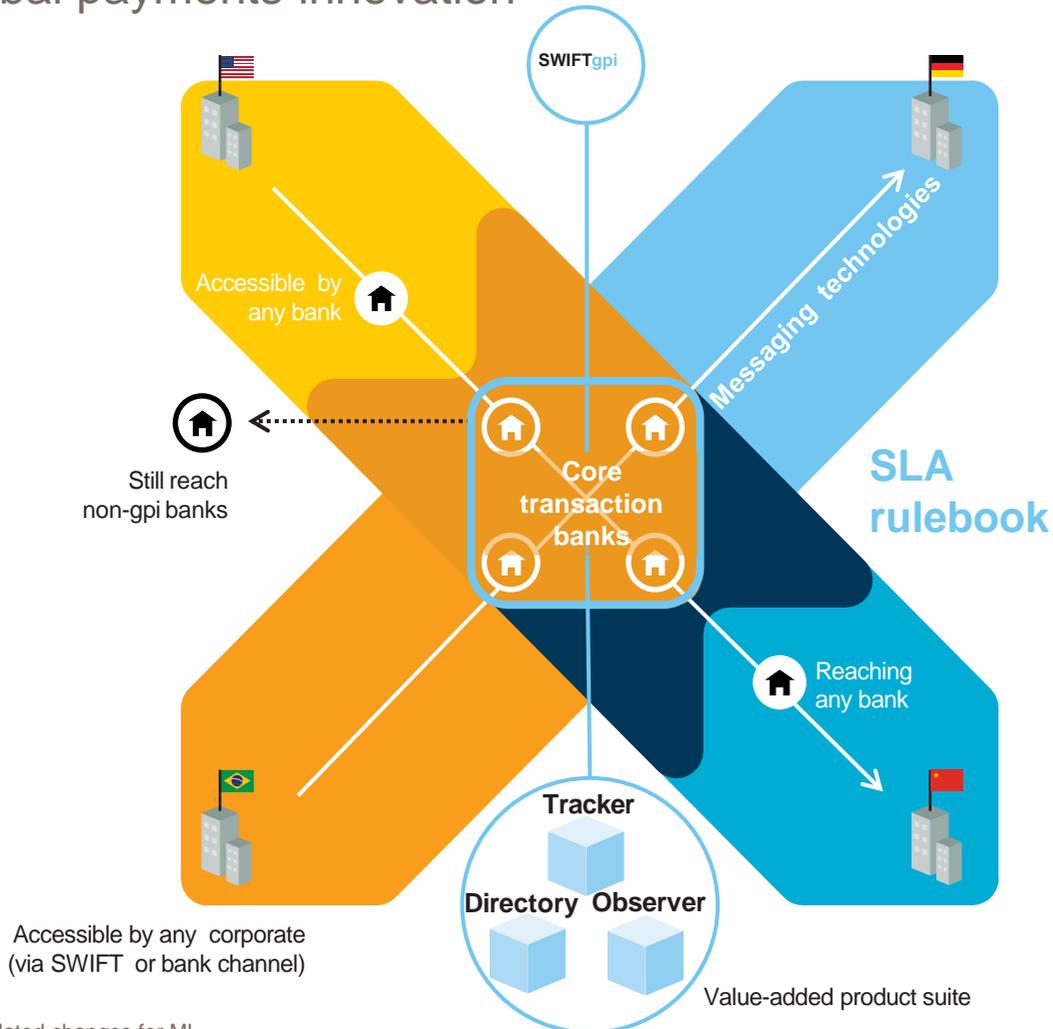
Key features

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

1 - SWIFT gpi: an introduction
SWIFT gpi member banks

90+ member banks sending payments into more than 224 countries and territories; representing over 75% of all SWIFT cross-border payments

AMERICAS
20%

EMEA
52%

APAC
28%

1. ABN AMRO Bank
2. ABSA Bank
3. Agricultural Bank of China
4. Alfa-Bank
5. Australia and New Zealand Banking Group
6. Axis Bank
7. Banco Bilbao Vizcaya Argentaria
8. Bangkok Bank
9. Bank of America Merrill Lynch
10. Bank of China
11. Bank of Communications
12. Bank of New York Mellon
13. Bank of Nova Scotia
14. Bank of the Philippine Islands
15. Bank of Tokyo-Mitsubishi UFJ
16. Banco Bradesco
17. Banco Santander
18. Banco de Crédito del Peru
19. Banco do Brasil
20. Banorte
21. Banque Européenne d'Investissement
22. Barclays
23. Bidvest Bank
24. BNP Paribas
25. Budapest Bank

26. CaixaBank
27. Canadian Imperial Bank of Commerce
28. China Construction Bank
29. China Merchants Bank
30. Citibank
31. Commonwealth Bank of Australia
32. Commerzbank
33. Crédit Agricole
34. Crédit Mutuel-CIC Banques
35. Credit Suisse
36. CTBC Bank
37. Danske Bank
38. DBS Bank
39. Deutsche Bank
40. DNB Bank
41. Ecobank
42. E.Sun Commercial Bank
43. Erste Group Bank
44. Fifth Third Bank
45. FirstRand Bank
46. Handelsbanken
47. Helaba Landesbank Hessen-Thüringen
48. HSBC Bank
49. ICICI Bank
50. IndusInd Bank

51. Industrial and Commercial Bank of China
52. ING Bank
53. Intesa Sanpaolo
54. Intl. FCStone
55. Investec
56. Itaù Unibanco
57. JPMorgan Chase Bank
58. Kasikornbank
59. KBC Bank
60. KEB Hana Bank
61. Lloyds Bank
62. Mashreq Bank
63. Maybank
64. Mizuho Bank
65. National Australia Bank
66. Natixis
67. Nedbank
68. Nordea Bank
69. Oversea-Chinese Banking Corporation
70. PKO Bank Polski
71. Promsvyazbank
72. Rabobank
73. Raiffeisen Bank International
74. Resona Bank
75. Royal Bank of Canada
76. Royal Bank of Scotland

77. Sberbank
78. Siam Commercial Bank
79. Silicon Valley Bank
80. Skandinaviska Enskilda Banken
81. Société Générale
82. SpareBank 1
83. Standard Bank of South Africa
84. Standard Chartered Bank
85. Sumitomo Mitsui Banking Corporation
86. Swedbank
87. Tadhamon International Islamic Bank
88. TMB Bank
89. Toronto-Dominion Bank
90. UBS
91. U.S. Bank
92. UniCredit
93. United Overseas Bank
94. Wells Fargo

1 - SWIFT gpi: an introduction
Roadmap

Dramatically improve cross-border payments Customer Credit Transfer	**Live** since Feb 2017
Extension for cover payments	Expected by end of 2017
Enable digital transformation	
Stop and Recall Payment	Expected by end of 2017
Rich Payment Data	Expected in 2018
International Payments Assistant	Expected in 2018
Additional payment services	Continuous exploration and co-creation with the financial, corporate and fintech industries
Explore new technologies (blockchain, Collaborative innovation …)	



Stop and Recall Payment

STOP

Ordering customer — canceled — canceled — stopped — Beneficiary

Transfer of rich payment data

List of Invoices

Buyer — Payment — Seller

List of Invoices
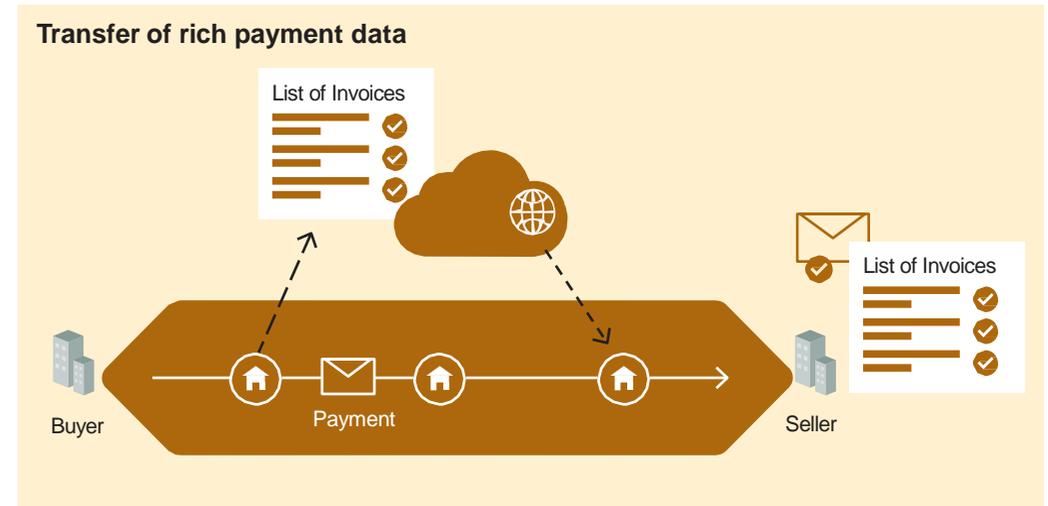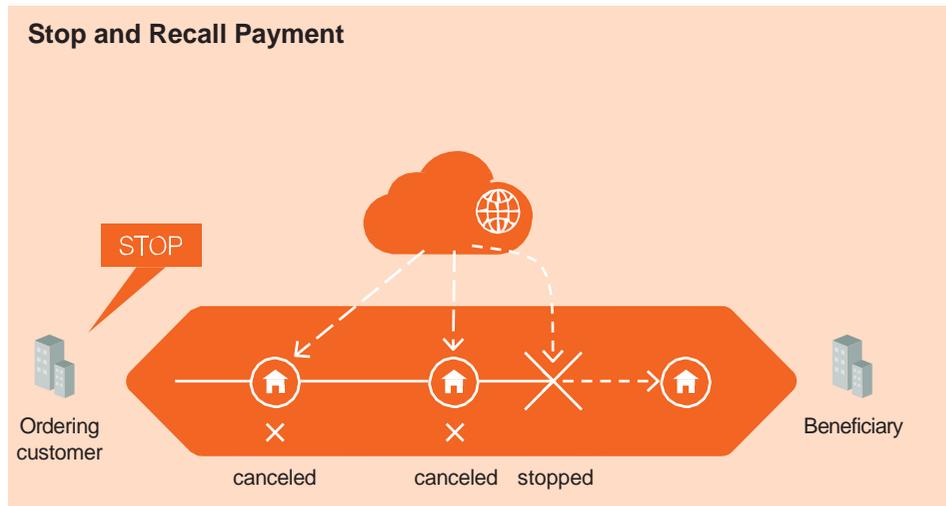
2 – Introduction to the dedicated gpi fields

2 - Introduction to the dedicated gpi fields:

Description: Exchanging gpi transactions today between gpi banks

Since SR 2016:
gpi banks can exchange gpi payments with other gpi banks
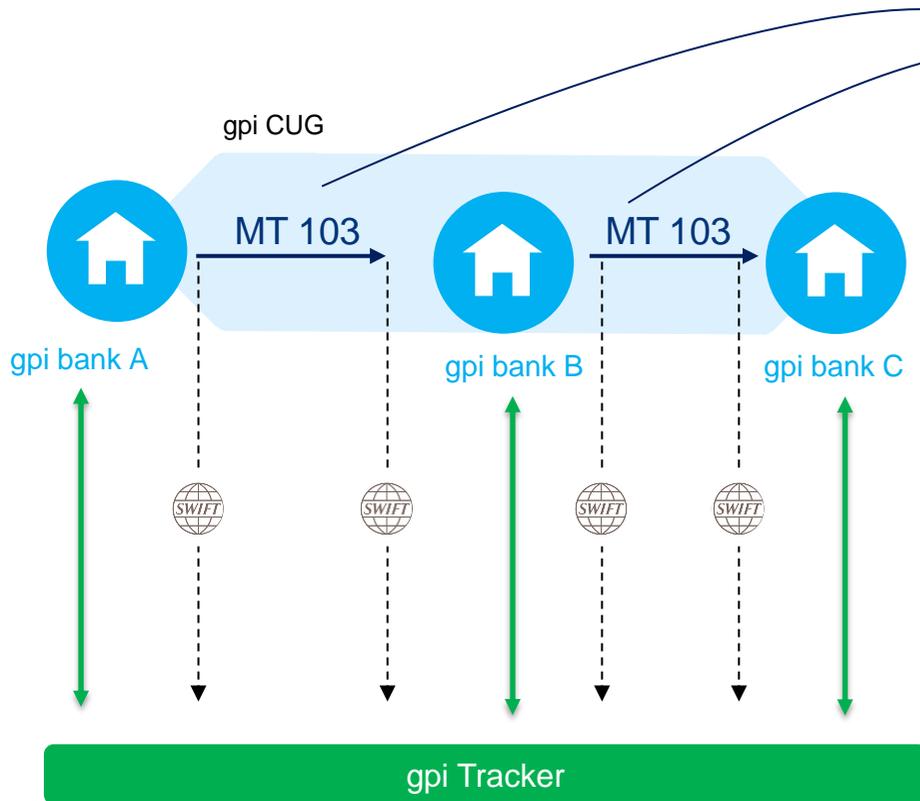
In SR 2016 two new fields were introduced in the User Header (=Block 3) of the MT 103 to flag a payment as a gpi transaction and to allow for payments tracking across the end-to-end payment chain:

- Field 111: <u>Service Type Identifier</u>

- Field 121: <u>Unique End-to-End Transaction Reference</u>
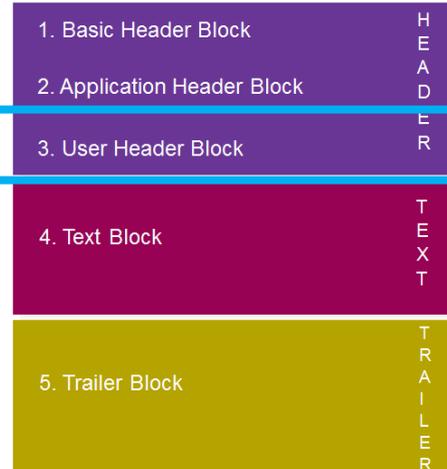
These elements are also used in gpi confirmations (MT 199, API calls to the tracker, etc)

gpi CUG

MT 103   MT 103

gpi bank A   gpi bank B   gpi bank C

SWIFT   SWIFT   SWIFT   SWIFT

gpi Tracker

1. Basic Header Block	H
2. Application Header Block	E A D E R
3. User Header Block	
4. Text Block	T E X T
5. Trailer Block	T R A I L E R

2 - Introduction to the dedicated gpi fields
MT 103 FIN Header Block 3 contains the new gpi elements exchanged in MTs

Service Type Identifier

- Field 111 in FIN Header Block 3
- Field 111 and field 121 must both be present or both be absent
- Format: 3!n
- Value for currently defined gpi service type is '001'. Code is not validated. Additional codes may be used in the future for other gpi service types.

Example: {111:001}

Unique End-to-End Transaction Reference (UETR)

- Field 121 in FIN Header Block 3
- Contains Universally Unique Identifier (UUID – IETF's RFC4122 using version 4 of the generation algorithm)
- Format: 36!x composed of 32 hexadecimal characters, displayed in 5 groups separated by hyphens:
  xxxxxxxx-xxxx-4xxx-yxxx-xxxxxxxxxxxx
  x = any hexadecimal character (lower case only); y is one of 8, 9, a or b.
- Designed to be globally unique, without risk of repetition over time

Example: {121:eb6305c9-1f7f-49de-aed0-16487c27b42d}

Sample MT 103*

SENDER: Instructing gpi Bank BIC
MT 103
RECEIVER: Instructed gpi Bank BIC
:111:001
:121:eb6305c9-1f7f-49de-aed0-16487c27b42d

:20:ABC123
:23B:CRED
:32A:160115USD1010,
:33B:USD1000,
:50F:/Account Laurel Co.
/1/Laurel
/2/Address
/3/Country and Town
:59F:/account Hardy
/1/Hardy Co.
/2/Address
/3/Country and Town
:70: remittance info from MT 101
:71A:OUR
:71G:USD10,

* For illustration purposes only, not in technical format

2 - Introduction to the dedicated gpi fields
How the gpi fields enable end-to-end transaction tracking
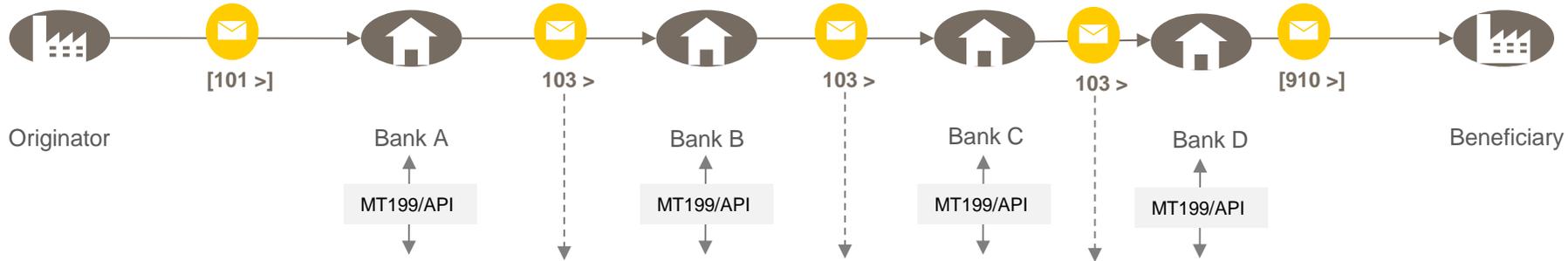
SWIFTgpi

2 - Introduction to the dedicated gpi fields
Role of MIs in gpi cross-border transactions

Originator — [101 >] — Bank A — 103 > — Bank B — 103 > — Bank C — 103 > — Bank D — [910 >] — Beneficiary

Domestic high-value payments system

gpi bank A — MT 103 → — MT 103 → gpi bank B

MT 096   MT 097

MI
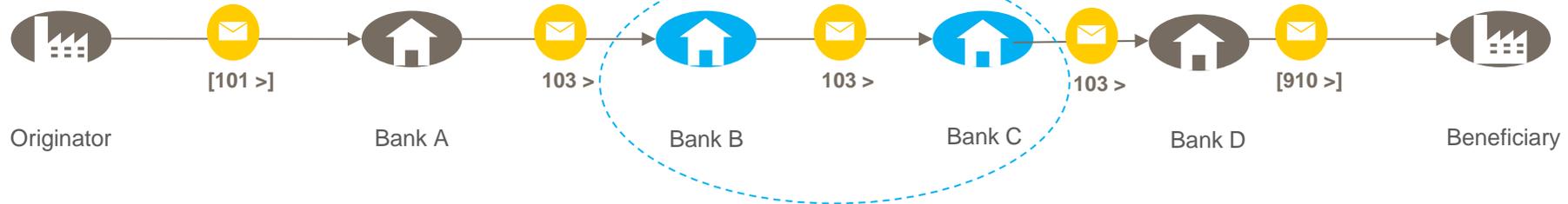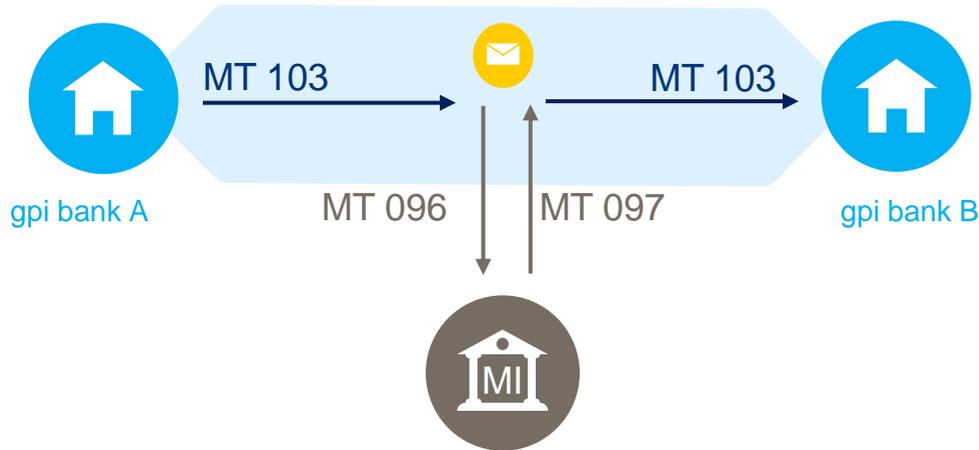
Cross-border transactions often
include a 'local leg', which can
be cleared and settled through
domestic high-value payments systems.

These market infrastructures
need to be able to support the exchange of
gpi transactions to ensure
a seamless end-to-end payments journey.

2 - Introduction to the dedicated gpi fields
Exchanging gpi transactions today over market infrastructures using **SWIFT FINCopy**

As of SR 2016:
- gpi banks can exchange gpi payments with other gpi banks
- gpi banks can exchange these gpi payments over the +50 SWIFT High-Value Payment Systems that use FINCopy

MT 103 contains two gpi fields
in User Header

gpi CUG

MT 103 → MT 103

gpi bank A   gpi bank B

MT 096   MT 097

**gpi fields not yet
copied in MT 096**

gpi Tracker
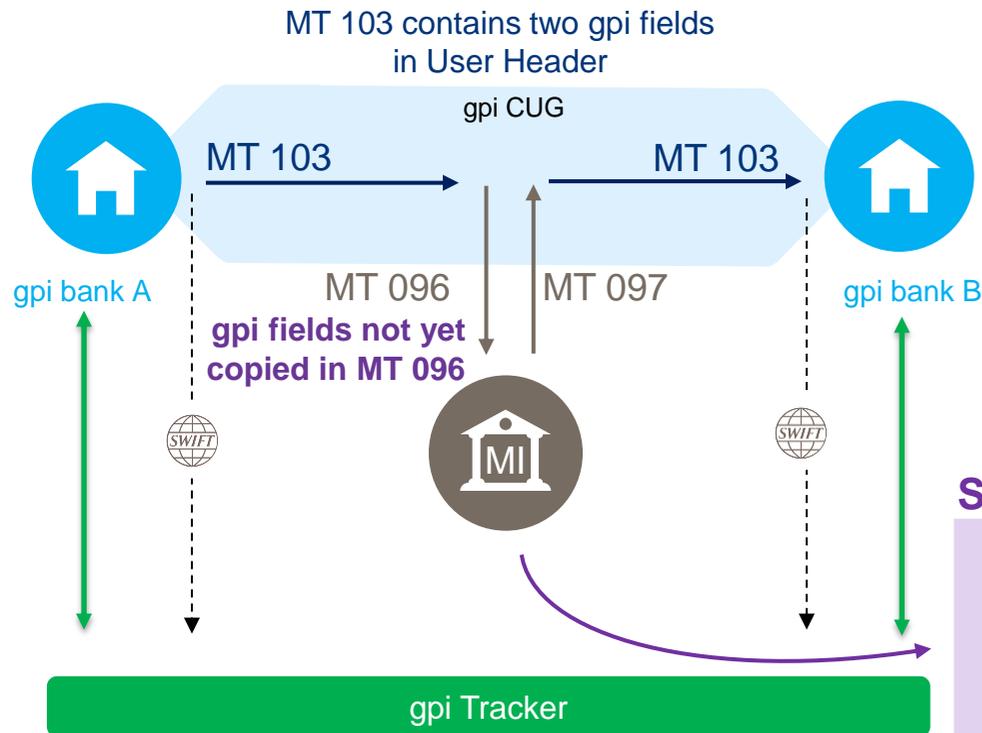
SR 2017
- **SWIFT will remove shielding and apply** 'Business As Usual' copy rules
- **MIs need to be able to receive the gpi fields in the MT 096**

**Preparation
for SR 2017**
- MIs need to **prepare for SR 2017**

SR 2016
- gpi banks can exchange MT 103s with gpi fields as of SR 2016
- The new gpi fields were communicated late in the SR2016 process, reason why the gpi CUG was put in place for gpi banks
- It was decided to **temporarily shield MIs from receiving fields in MT 096** used as part of FINCopy to allow for more preparation time

2 - Introduction to the dedicated gpi fields
As of SR 2017

As of SR 2017, SWIFT will copy gpi fields to MIs using SWIFT FINCopy

+ Non-gpi banks and MIs using FIN must be able to receive gpi fields in User Header of MT 103.
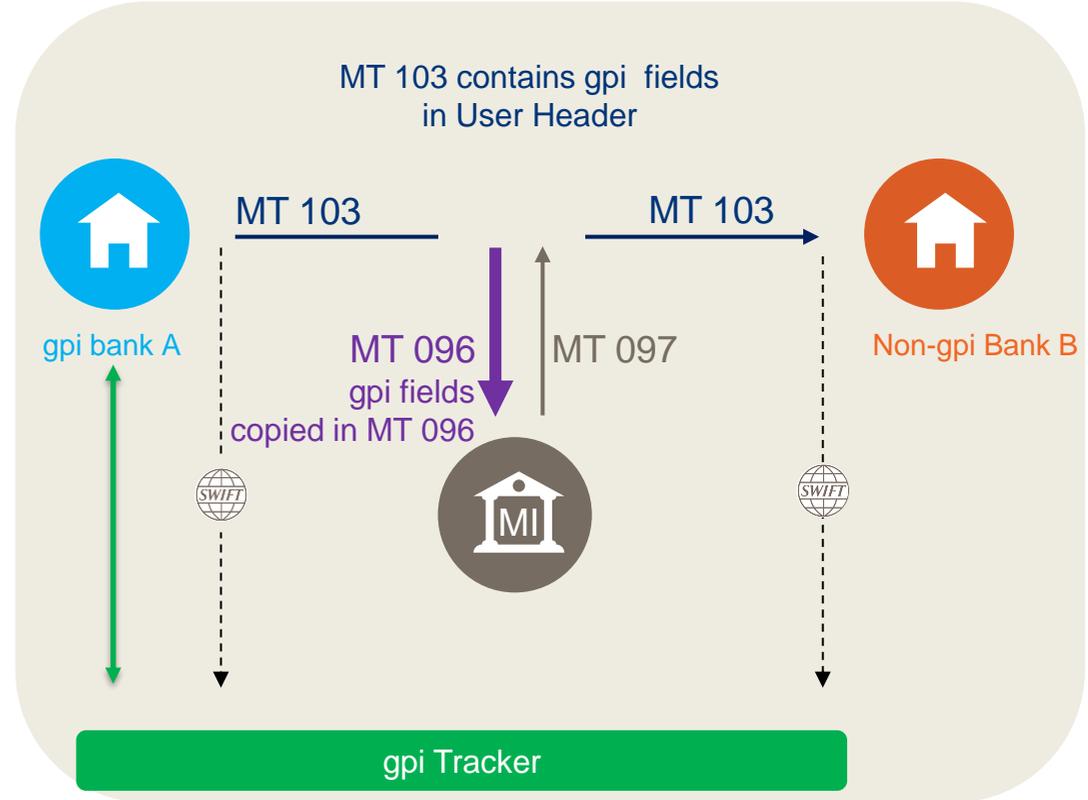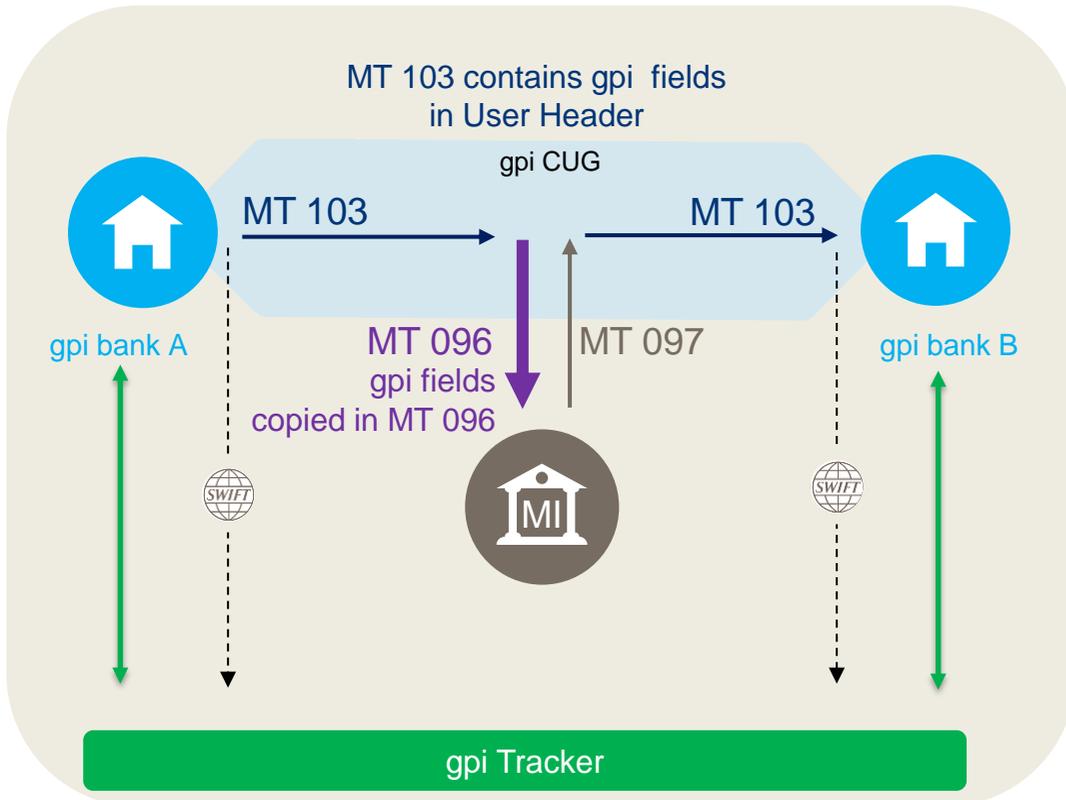
2 - Introduction to the dedicated gpi fields
Usage in FINCopy and FINInform: **MT 096** FINCopy to Server Destination Message

MT 096 FINCopy Service to Service Administrator Message

- Basic header
- Application header
- User header

Text block
- Basic header
- Application header
- **User Header**
- Text (some or all fields)
- Trailer block

Trailer block

Envelope　　　　**Copy of original message**
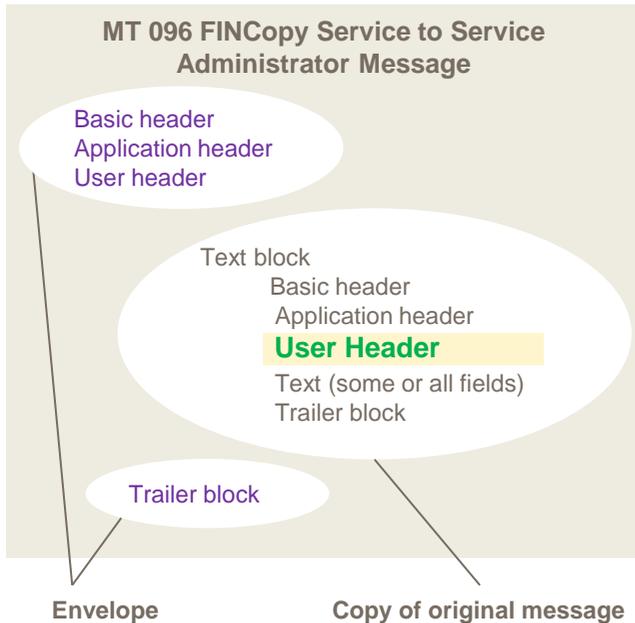
This applies to both **full** and **partial** copy. Partial copy refers to partial copy of the text block (some or all fields) of the underlying copied transaction.

MT 096 example

{1:F01BANKGB2LACMR2245224778}
{2: O0961409021011DYLPXXXXXXXX24442365571409021111S}
{3:{ABC}{108: MUR OF MT 096}
{1:F01SNDRGB22AXXX3461486137}
{2:I103RCVRGB2LAXXX U}
{3:**{103:TGT}**{108:XY/T44961}**{111:001}{121:eb6305c9-1f7f-49de-aed0-16487c27b42d}**}
{4:
:20:TRANSFER
:23B:CRED
:32A:140902GBP150000,00
:33B:STG150000,00
:50K:/122267890
BIODATA LTD
46 GREEN LANE
CAMBORNE
CORNWALL TR14 7EQ
ENGLAND
:59:/50266959
H.F. TRELAWNEY
68 MARK LANE
LONDON EC2
ENGLAND
:71A:SHA
-}
{5:
{CHK:81EC89D79E80}}
{5:{CHK:CHECKSUM OF MT 096}{SYS:SYSTEM TRAILER OF MT 096}}

Header blocks MT 096

New fields

FINCopy service code

Trailer blocks MT 096

2 - Introduction to the dedicated gpi fields
Usage in FINCopy and FINInform: **MT 096** FINCopy to Server Destination Message

MT 096 FINCopy Service to Service Administrator Message

Basic header
Application header
User header

Text block
" Basic header
Application header
User header
Text (some or all fields)
Trailer block "

Trailer block

Envelope   **Copy of original message**
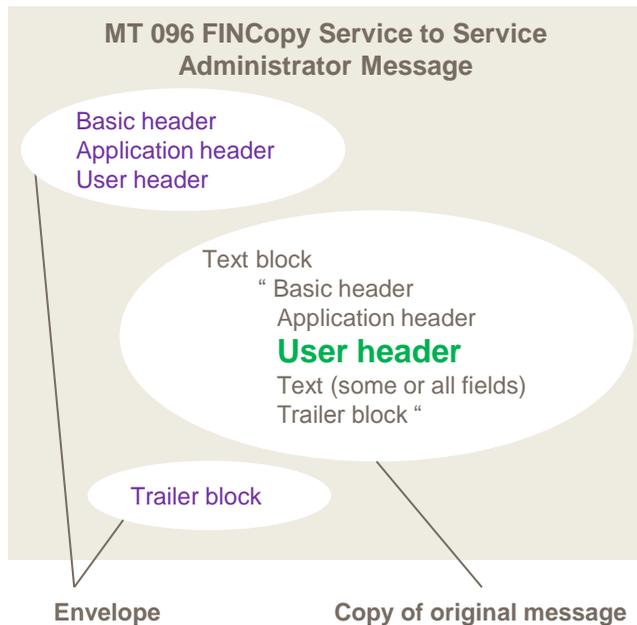
- Advance Information of the FIN System Messages: block 4 of the MT 096 will contain the copied message as originally sent including all the fields from the user header in block 3. If present in the original message, this includes fields 111 <service-type-identifier> and 121 <unique-end-to-end-transaction-reference>.
- The Advance information of the FIN Operations Guide specifies the exact format of the elements in the User Header
- No impact on other FINCopy features or FINCopy system messages
- This applies to Y-Copy mode and T-Copy mode
- It also applies to FINInform (which uses MT 096)

MT 103   **FIN Copy**   **MT 103**

Bank A   **Sender notification** (MT 012)*   **Bank B**

MT 096   **Authorisation** (MT 097)
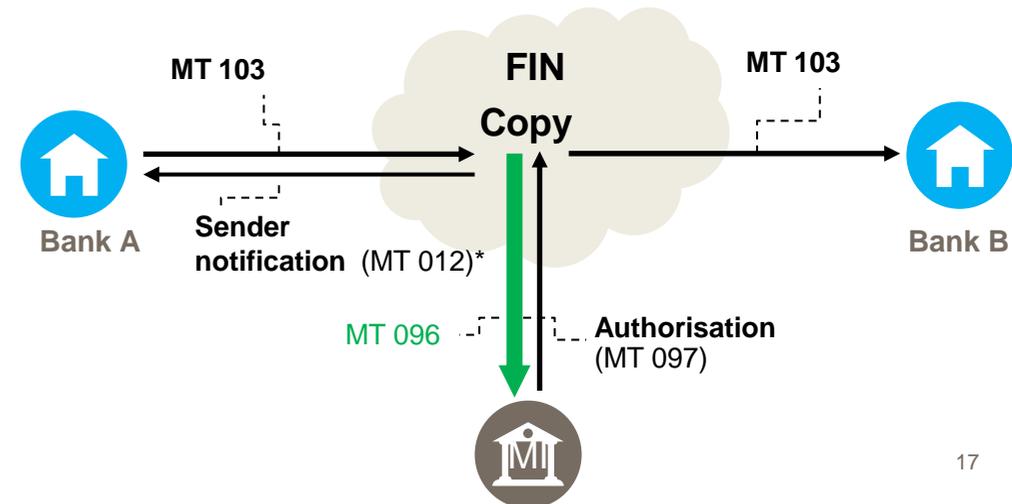
2 - Introduction to the dedicated gpi fields
Usage in FINCopy and FINInform: **MT 096** > can include gpi fields used in MT 202COV and potentially other messages in the future
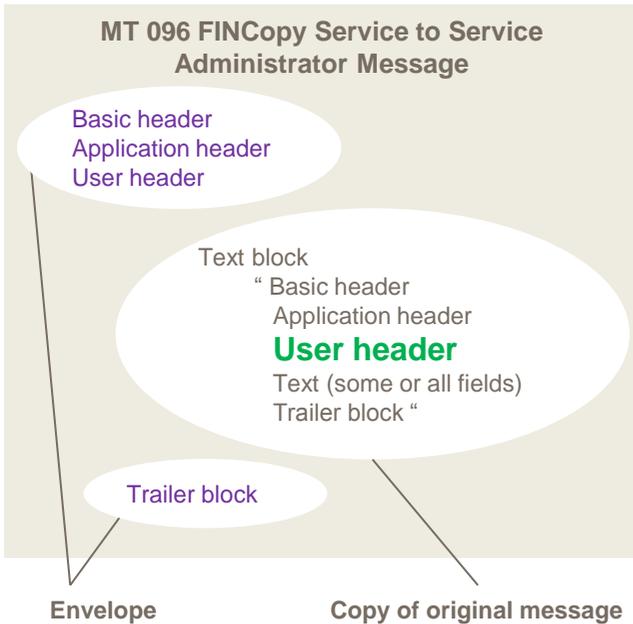
- gpi banks may already start exchanging **MT 202 COV** messages with gpi fields in the header **in the gpi CUG.**
  - As they are exchanged in the gpi CUG, the implementation timing for this type of exchange can fall outside of the Standards Release process.

- <u>As of SR2017</u>, MIs should also be able to receive the tags included in the User Header of gpi MT 202 COV messages, when these are exchanged by their members over the MI Y-Copy service, as part of the general change request to the MT 096. Other messages may follow (e.g. MT 202).

MT 096 FINCopy Service to Service Administrator Message

Basic header
Application header
User header

Text block
" Basic header
Application header
User header
Text (some or all fields)
Trailer block "

Trailer block

Envelope   **Copy of original message**
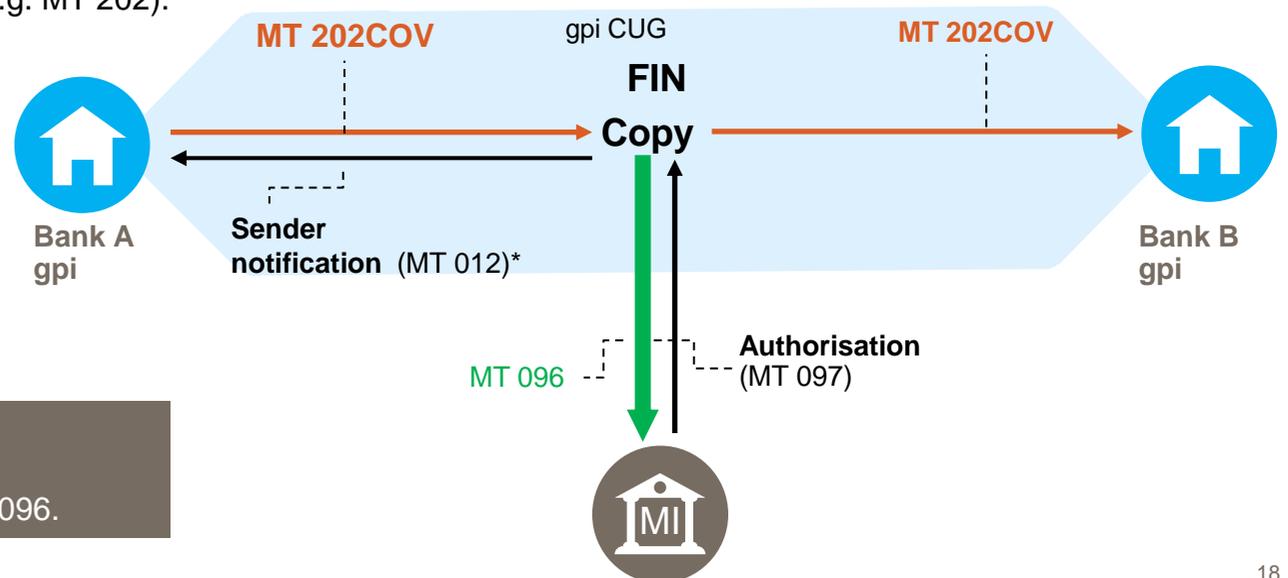
The MT 096 is '**payment message agnostic'**, and does not cater for different flavours/versions depending on the MT copied to/embedded in the MT 096.

MT 202COV   gpi CUG   MT 202COV
FIN Copy

Bank A gpi   **Bank B gpi**

Sender notification (MT 012)*

MT 096   **Authorisation** (MT 097)

MI

2 - Introduction to the dedicated gpi fields
SR2017 for MIs using FIN in so-called V-shape mode

As of SR2017:
- every gpi Bank can send its gpi payments to payment market infrastructures using FIN in so-called 'v-shape' mode.
- These market infrastructures have to be able to receive gpi fields included in the MT 103, like any other 'non-gpi' bank

SWIFT is currently investigating how these Payment Market Infrastructures operating in 'v-shape' could forward the gpi data to both gpi and non-gpi Banks.

If you are a Market Infrastructure using SWIFT in 'v-shape' mode and interested to support gpi payments, please contact us on swiftforBanks@swift.com.
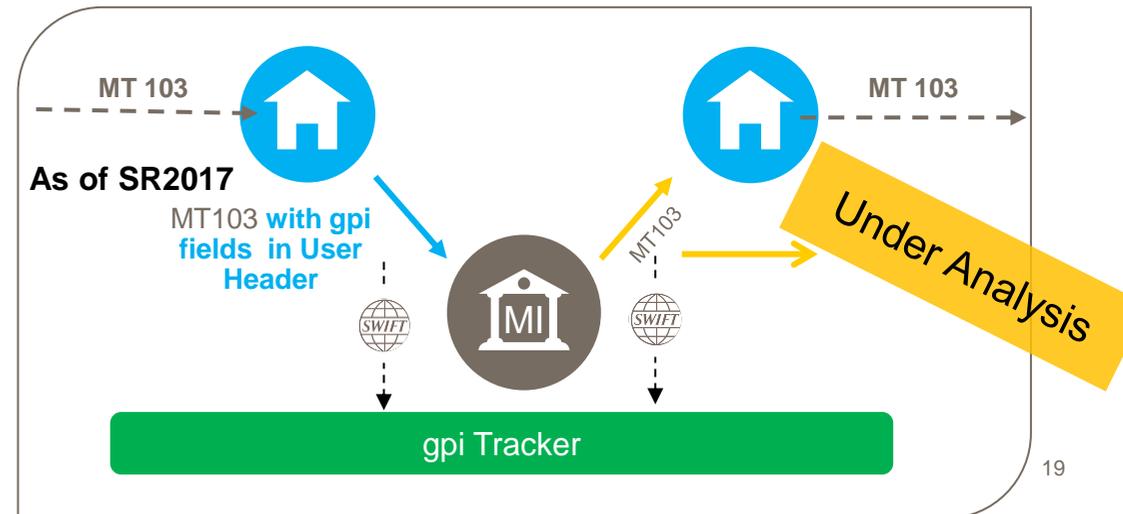
2 - Introduction to the dedicated gpi fields
MIs play key role in the end-to-end gpi payment journey

Market infrastructures support gpi:

1. **When based on SWIFT FIN Copy**:
   fully supporting gpi:
   - ✓ gpi data fields automatically included in credit transfer
   - ✓ Support for automatic status updates in the Tracker
   - ✓ Common market practice
   - ✓ Native integration with gpi

   56 MIs (incl. major HVPs in Europe and APAC – T2, Euro1, CHATS…)

2. **When not based on SWIFT**:
   Local market practice for gpi mapping (to be) agreed with local communities
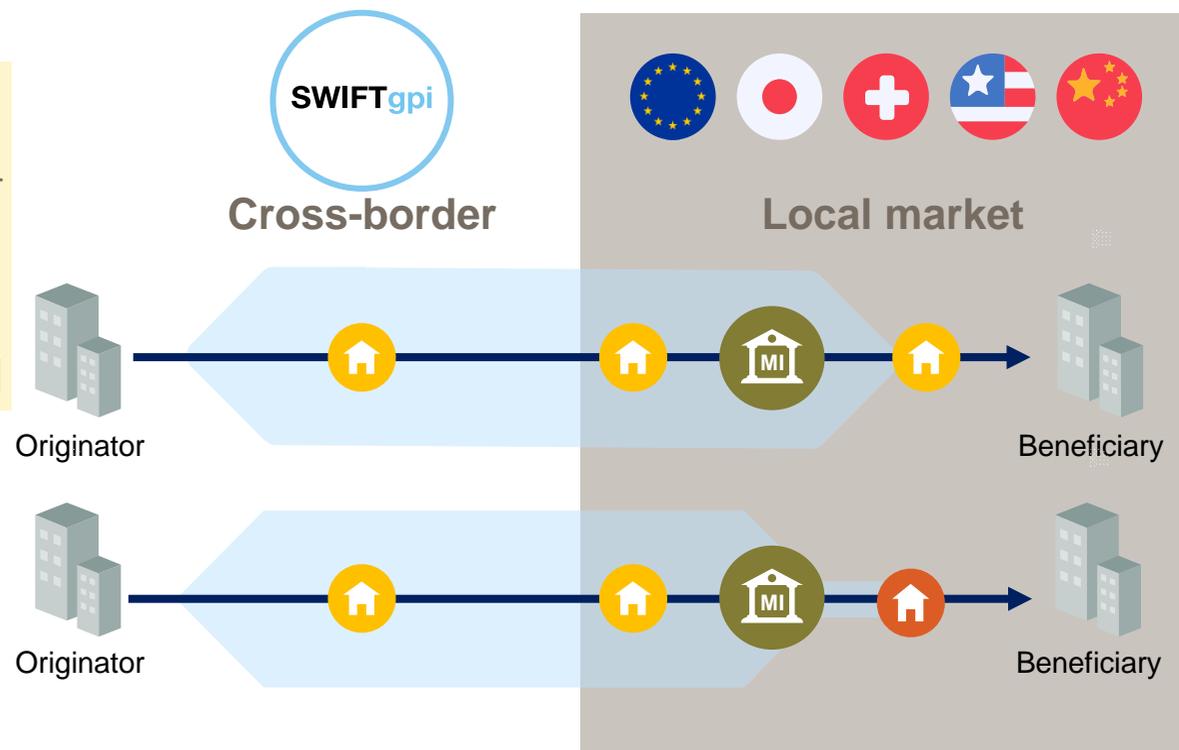
For new ISO 20022-based High Value Payment Systems (HVPS): ISO 20022 HVPS recommendation for gpi data elements available Q1 2017
When based on SWIFT FIN ('v-shape' e.g. Thailand & Malaysia): will be able to receive gpi fields in MT 103 as of SR 2017

3 - Additional Considerations

3 - Additional Considerations

Testing options

MIs using FINCopy can test the new gpi data elements copied in the MT 096 as of 23 July 2017:

- **Using Local Test Mode to test with SWIFT**
  SWIFT will add MT 096 sample messages which contain the new gpi data to the tank file. You can request these MT 096 messages by sending an MT 073 Message Sample Request.

- **Using Full Function Mode to test with yourself**
  To enable MIs to test with themselves, SWIFT can add the MI test BIC to the test-gpi CUG. MI will need to request this through a dedicated form. This enables you to benefit from your full Test and Training environment to send test MT 103s with the new gpi data elements and your service identifier in the User Header between your test-and training destinations. The new gpi data elements will then be included in the MT 096 copied to your FINCopy Test and Training destination, allowing you to simulate testing with your service participants.

- **Using Full Function Mode to test with your members**
  If feasible, you could set up tests with a number of your service participants. Please contact swiftforbanks@swift.com for additional information.

3 - Additional Considerations
Where to find more information

SWIFTgpi

- **Standards MT Release 2017 timeline**

- **Standards MT Release Guide 2017:**

  - Standards Release Guide

  - FIN System Messages Advance Information

  - FIN Operations Guide Advance Information

  - Extended Use of SWIFT gpi Fields 111 and 121

  Note: Relevant FINCopy and FINInform volumes of UHB will be updated as per normal procedure in July 2017.

- SWIFT **gpi**:
  www.swift.com/gpi

Additional webinars to learn more about SWIFT gpi and how it can enhance your customers' cross-border payments' experience
- **7 March**, 9am CET - 4pm SGT (45 min.):
  SWIFT gpi for Banks
- **9 March**, 4pm CET - 10am EST (45 min):
  SWIFT gpi for Banks

To receive more information on the benefits of joining gpi directly, please contact us on swiftforbanks@swift.com or visit www.swift.com/gpi.

Annexes

SWIFT gpi: an introduction
gpi cross-border payment experience and business rules – high level overview

Customer experience	gpi business rules
Faster – start with same day value (within the timezone of the gpi member)	- **same day value credit to beneficiary (in beneficiary's time zone)**

More efficient and more clarity on fees	- OUR
	  - **full original amount is credited** to beneficiary's account and
	  - correspondent banking charges can be sent along with payment to avoid charges claims.
	- SHA or BEN
	  - **transparency of transferred amount and deducts** to originator
	  - provided in confirmation, with details to instructing and instructed gpi agents and totals to intermediary gpi agents
	- Transparency about FX in some cases

End-to-end payments tracking	- **Confirmation of credit to beneficiary's account**, to beneficiary and to originator - End-to-end tracking in real time, using the payment and confirmation - **Unique End-to-end transaction reference (assigned by first gpi bank in the chain)**
Remittance information transferred unaltered	- Deliver up to 140 characters remittance information, **without alteration**

SWIFT gpi: an introduction
SWIFT gpi product suite

Directory	Tracker	Observer

Directory
- Providing operational info on gpi members, BICs, currencies, cut-off times
- Essential reference data to calculate best gpi payment route

Tracker
- End-to-end payments tracking database to monitor progress of a gpi payment
- Allows to track a payment's path in real time, obtain transparency on deducts and confirmation that payment was credited

Observer
- Business Intelligence dashboard showing bank compliance with gpi SLA.
- Ensure control, monitoring and enforcement of SLA, and, consequently, service quality

Availability
December 2016 via SWIFTRef

Availability
- GUI: November 2016
- MT 199 / API: Q1 2017

Availability
- Approach to be finalised: Q4 2016
- Basic version: April 2017
- Advanced version: Q4 2017

Download
the SWIFTgpi App on your iPad