Are you ready for real time?

Preparing for the compliance challenge of real-time, cross-border payments

Contents

Meeting the new challenge of real-time payments

In this ebook, find out how compliance teams play a critical role in real-time, cross-border payments – and how they facilitate greater levels of trust, transparency and collaboration while mitigating risk.

Introduction

Cross-border payments are undergoing a major transformation

In today's instant digital world, businesses need to be nimble to respond to customer demands and increasingly complex regulatory landscapes. Payments that take days to arrive hinder business relationships and, due to a lack of transparency over the status of payments, resolving payment queries can be time consuming and costly.

Payments need to be real time. Numerous domestic payment schemes already allow beneficiaries to receive funds instantly, such as the UK's Faster Payments scheme (FPSL), Australia's New Payments Platform (NPP) and Singapore's Fast and Secure Transfers (FAST) service. Many of these schemes include 24/7 processing capabilities.

Cross-border payments are rapidly catching up, with many transactions now being processed in just minutes, or even seconds. Achieving real time is even more challenging when sending payments internationally, however, as it involves bridging multiple currency systems and regulatory jurisdictions.

But with goods and services moving more quickly, more frequently and across greater distances than ever before, banks across the globe are rising to the challenge, collaborating on new technologies and standards, as we move into a new era in cross-border payments.

So what does this mean for compliance?
With up to 10% of cross-border payments still held for review, the compliance function must evolve to support real-time, compliant cross-border payments.

How ready are you?
5 steps to success

How ready are you to support real-time payments? We'll look at the steps you need to take to deliver payments that are real time and compliant.

1 **Build trust**
Create a strong network of global correspondent relationships

2 **Boost data quality**
Improve the quality of your payments data

3 **Protect against fraud**
Invest in tools that provide more certainty over your payments

4 **Embrace shared solutions**
Take advantage of opportunities for industry collaboration

5 **Future-proof your processes**
Make sure you can meet the demands of real-time payments

1

Build trust
Earning confidence, every instant

Cross-border payments are by their very nature global. Maintaining the openness of the cross-border payments system is key to unlocking value, and ensuring efficient flows to everyone, everywhere. Financial institutions must balance their aspirations for a greater share of the real-time, global payments market against the risks of AML, sanctions and fraud.

A strong network of global correspondent relationships is the cornerstone of real-time, cross-border payments. Compliance teams can also proactively seek to play a more central role in facilitating wider and deeper correspondent relationships across the globe, as well as managing risk effectively.

What you can do:

1 Adopt global standards for correspondent banking due diligence, such as those introduced by the Wolfsberg Group.

2 Use solutions to facilitate the sharing and ongoing management of KYC information between correspondents.

3 Ensure effective monitoring of correspondents' transaction activities to help flag any suspicious activity.

↗ **Further reading**
Tools
Learning tools to support the Wolfsberg Group's CBDDQ
Case study
How Lloyds Bank streamlines KYC on correspondent banks
Video
Using compliance analytics to understand KYC and sanctions

2

Boost data quality
And accelerate the compliance process

Real-time payments depend on banks having clean, complete and correctly formatted payment data. Likewise, all downstream compliance processes – including sanctions screening, KYC and transaction monitoring – can only be effective if the information included in payment messages is accurate.

Compliance will need to work even more closely with payment teams to assess and improve the quality and accuracy of their payment data.

What you can do:

❶ Conduct regular reviews of payment data quality at both originator and beneficiary level to assess where improvements need to be made.

❷ Be proactive by leveraging tools that check beneficiary information with receiving banks before payment messages are transmitted.

❸ Prepare systems for the new payment standard, ISO 20022, which will deliver a more consistent industry-wide approach to payment data.

3

Protect against fraud
Build a robust approach to fraud detection and prevention

If a payment is settled immediately, the opportunity for recovery is greatly reduced. At the same time, criminals may seek to exploit the convenience offered by faster payments for fraud and money laundering purposes.

Compliance teams need to take a proactive approach to building a robust institutional fraud detection and prevention framework.

What you can do:

1 Ensure global transactions are being tracked at all times and keep a close watch on payments activity.

2 Invest in tools that align to policies, provide daily independent reporting and alert you of suspicious payments.

3 Make sure that all payment systems can stop and block a payment for additional review.

↗ **Further reading**
ebook
Preventing institutional payment fraud: Basic defences, counter measures and best practices.
Video
Protect your payment operations against fraudulent attacks
Report
SWIFT report on evolving cyber threats

4

Embrace shared solutions
Build approaches and standards that benefit the whole community

As global sanctions increase in complexity, regulators expect financial institutions to show they are actively addressing these challenges. Compliance teams need to strike a careful balance, ensuring the improvements in customer experience delivered by real-time payments don't compromise their compliance.

Real-time has facilitated greater collaboration to support straight-through processing. These shared approaches have the potential to further benefit the effectiveness of compliance processes.

What you can do:

1 Identify and address unnecessary duplication within AML and sanctions, which can introduce risk and inefficiencies for banks.

2 Deliver greater precision through AI and machine learning, based on common platforms and standards.

3 Drive innovations in information sharing without compromising personal data privacy to proactively address financial crime.

↗ **Further reading**
Article
Financial crime compliance in a real-time world
Webinar
Making proactive payment compliance work for you

5

Future-proof your processes
Prepare for tomorrow's challenges

As cross-border payments move to real time, compliance teams have an ever more central role to play in managing and monitoring risk across the globe.

The new world of real time will bring the dual benefits of increased transparency and better data, as well as providing opportunities for closer collaboration.

Real time is a call to action for compliance and payments to join forces and prepare for tomorrow's challenges.

By fully leveraging the investments and technologies that are facilitating real time, new opportunities for innovation are emerging. These will drive greater efficiencies in compliance and support the fight against financial crime.

Find out more

With our unique perspective on the world of payments compliance, we're ready to help you meet today's challenges and forge a path for the future.

SWIFT is driving the creation of community-wide solutions to enable cross-border payments that are fast, secure and ready for straight-through processing.

Visit **www.swift.com/complianceservices** to learn more about our financial crime compliance solutions.

Contact your **SWIFT account manager**.

About SWIFT

SWIFT is a global member-owned cooperative and the world's leading provider of secure financial messaging services.

We provide our community with a platform for messaging and standards for communicating, and we offer products and services to facilitate access and integration, identification, analysis and regulatory compliance.

Our messaging platform, products and services connect more than 11,000 banking and securities organisations, market infrastructures and corporate customers in more than 200 countries and territories. While SWIFT does not hold funds or manage accounts on behalf of customers, we enable our global community of users to communicate securely, exchanging standardised financial messages in a reliable way, thereby supporting global and local financial flows, as well as trade and commerce all around the world.

As their trusted provider, we relentlessly pursue operational excellence; we support our community in addressing cyber threats; and we continually seek ways to lower costs, reduce risks and eliminate operational inefficiencies. Our products and services support our community's access and integration, business intelligence, reference data and financial crime compliance needs. SWIFT also brings the financial community together – at global, regional and local levels – to shape market practice, define standards and debate issues of mutual interest or concern.

Headquartered in Belgium, SWIFT's international governance and oversight reinforces the neutral, global character of its cooperative structure. SWIFT's international office network ensures an active presence in all the major global financial centres.

For more information about SWIFT, visit **www.swift.com**.

We can do more together

At SWIFT, we help to protect, shape and enhance the financial future of our members, their customers and the communities they support.

Our Global Payments Innovation (gpi) is transforming the effectiveness of cross-border payments by leveraging our deep experience and the right technology. This ensures transactions are predictable, as well as fast, transparent, trackable and secure, end-to-end.

Our Customer Security Programme (CSP) is reinforcing the security of the global financial community by harnessing the strength of the SWIFT network and focusing on the security of local environments. This ensures we all work together to protect and advance the security of the global financial community.

Our financial crime compliance solutions are easing the ever-growing compliance burden for our community and helping our members play their part in preventing criminal activity.

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