



Implementing BCBS Intraday Liquidity Monitoring Tools

A pragmatic four-step approach

BCBS Intraday Liquidity Monitoring Tools require all internationally active banks to start reporting on seven key metrics. The reporting requirements must be implemented between January 2015 and January 2017.

A recently published survey⁽¹⁾ of bank-readiness conducted by SWIFT reveals that:

- 61% of respondents claim their Nostro transactions are not confirmed in real-time and 23% have the same issue for the high-value payments systems (HVPS) to which they are connected.
- 42% of respondents confirmed they don't currently have a global view of intraday liquidity usage for Nostro accounts held by their foreign branches.
- 74% of respondents will use credit/debit confirmations (MT 900/910) in the first instance to build their liquidity monitoring tools in response to BCBS requirements.

SWIFT has been working with the community to develop solutions both at community and individual level to help resolve these issues. As a result, a pragmatic four-step approach has been defined, which explains how SWIFT can help banks to meet new reporting requirements.

Step 1 – Data sourcing

The first priority for any bank is to understand its own liquidity flows at global entity and currency levels and to assess its current transactional data coverage for the regulatory reporting.

SWIFT has developed a methodology to help banks to run this exercise. It starts with the development of metrics based on SWIFT's Business Intelligence tool, Watch, showing the data coverage at global and entity level for all liquidity flows on SWIFT.

These metrics provide different views in terms of value and volume, and enable the user to identify data gaps at currency, country or correspondent level. These metrics are tailored to the bank's specific activity.

Step 2 – Data assessment

From this initial analysis, the bank can determine initial priorities for further action. As a next step SWIFT's consultants run a detailed on-site data assessment on a sample of the bank's main accounts for which large gaps have been identified.

The output of this assessment is a detailed report documenting issues, identifying types of transactions not reported on an intraday basis, missing data from the reporting, or data not yet integrated internally. This enables the bank to agree on the precise improvements necessary in order to fully implement the requirements.

The report also helps confirm and quantify any gaps in centralising reporting across global organisations. Finally, SWIFT works with the bank to jointly define or improve the data model for its liquidity dashboard and regulatory reporting.

1) Intraday Liquidity Reporting - Survey Findings, November 2014, www.swift.com

Step 3 – Supporting data collection and centralisation

BCBS monitoring tools require banks to collect timed data at transactional level. This implies that all debit and credit movements have to be confirmed and provide the exact time at which the account's position has been affected.

For this reason Nostro users should request their service providers to fill in the new date/time field that will be added to the debit and the credit confirmation messages (MT 900 and MT 910) as from November 2015. This will enable the user to determine the exact date, time and time zone at which the entry has been posted to the account, in the books of the account servicing institution.

However many larger institutions have not yet centralised the management of their Nostro accounts. Legal entities around the world may also use different messaging instances to receive their intraday confirmations. Treasury systems have not necessarily been integrated across currencies and the internal clearing entities do not always provide the timed information required for reporting at central level.

All these issues can result in a large share of the group's intraday liquidity flows not being visible at the central headquarters level and prevent the bank from building its BCBS report related to the Nostro flows.

FINInform – a feature of SWIFT's store-and-forward messaging service 'FIN' – is a cost effective alternative to an internal integration. With this service SWIFT sends a real-time copy of the intraday reporting message received by the different entities from their different correspondents, to the Group Treasury BIC without any impact on their operations or on their counterparties.

FINInform can also be used for reporting as a direct participant.

Many institutions have not integrated the settlement confirmations from the High Value Payments Systems in their liquidity or treasury application. FINInform can also be used in this context to avoid the need to match outgoing payments with incoming settlement confirmations. Instead FINInform will send a copy of the original payment instruction to the BIC selected by the bank as soon as the settlement confirmation has been released by the RTGS system.

Step 4 – Building a transactional data repository and an intraday liquidity monitoring dashboard

SWIFT has developed an on-site solution covering a bank's intraday liquidity transactional repository and an intraday liquidity monitoring dashboard based on SWIFT messages and on the existing Liquidity Implementation Task Force best practices.

The solution provides a live monitoring dashboard enabling the bank to monitor its position by account, correspondent or currency. Views can be set-up to refresh at 15 minute intervals.

In addition, an historical monitoring provides daily calculations of the BCBS measures that have to be reported such as the peaks and troughs by account or correspondent. The solution can be tailored to the specific requirements of the bank.

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