

Refining sanctions compliance

Page 3

Efficiency as a service

Page 4

Pricing for growth

SWIFT has introduced a number of innovations to its pricing strategy over the years.

When SWIFT was founded some 40 years ago, the key issue of the time was how to replace telex and paper with an automated process. In addition to improving operational efficiency, straight-through processing (STP) was also expected to reduce costs for the industry. As usage of SWIFT has grown, so has the ability to reduce the unit cost of messaging, says Francis Vanbever, chief financial officer, SWIFT.

“In the beginning, things had to be simple,” he says. “With the business growing, however, we reached the point where it was clear that one price for all is

the wrong price for everyone.” Differentiation became important. “The concept of price tiering has allowed us to reduce overall prices by over 50% in each of the last three strategy cycles,” says Vanbever (See Graph 1). In addition, we have, since 1992, operated a rebate mechanism, allowing us to return excess revenue to our clients as a percentage of their spending.”

“Given that pricing is now more tailored than it was when a simple per-message reduction was universally applied, transparency is an increasingly important element of SWIFT’s approach,” says Udo Braun of Commerzbank, who chairs the Pricing Board Taskforce for SWIFT. “Everyone in each targeted segment benefits from the same conditions.” SWIFT’s pricing policy is governed by a set of six key principles defined by the SWIFT Board, says Braun. These are:

- Encourage usage as opposed to maximising profit;
- Recognise the contribution of large users and their role in creating economies of scale;
- Maintain the cooperative spirit and transparency;
- Reduce barriers to entry for smaller users;
- Respond to competitive threats; and
- Be economically sustainable

These policies allow SWIFT to pay due attention to all segments of its membership, while being innovative in bringing benefits to the SWIFT community as a whole. “It is almost 20 years since

“ Transparency is an increasingly important element of SWIFT’s approach. Everyone in each targeted segment benefits from the same conditions. **”**

Udo Braun, Commerzbank and SWIFT Board



“ We will continue to lower prices in the new strategic cycle. **”**

Francis Vanbever, CFO, SWIFT



Sibos in Florence (1996) when we had peak days of three million messages per day. Going into Sibos this year we are close to reaching traffic peaks of up to 30 million messages per day,” says Andre Boico, director, pricing, SWIFT. “In addition to message price reductions enabled by our increased scale, we have also helped

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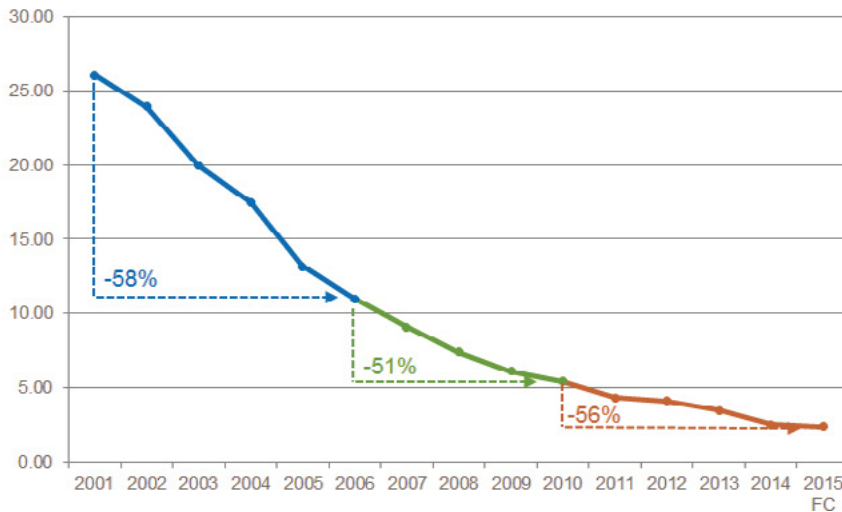
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customers migrate to new platforms, further enhancing the opportunity for reducing total cost of ownership.”

A special fixed fee programme (FF) was introduced in 2008 for a number of large users, allowing them to maintain a

constant spending level, while increasing their usage. “The programme now covers 80% of FIN traffic and represents the major contribution to growth for messaging,” says Boico. In addition, a special discount has also been introduced for high volume

Graph 1: Price reductions: evolution Average Message Price (in EUR cents per Kchar)



“ In addition to message price reductions enabled by our increased scale, we have also helped customers migrate to new platforms.

Andre Boico, SWIFT

bilateral links, ensuring that SWIFT remains competitive in highly concentrated markets segments.

“We will continue to lower prices in the new strategic cycle,” says Vanbever. “We are committed to a new challenge of reducing prices by 30% to 45% by 2020, while our non-messaging services and products will be addressed with targeted price actions.”□

SWIFT’s traffic health check

Compliance Analytics helps financial institutions analyse their SWIFT traffic patterns to identify potential risk.

With regulatory compliance requirements spreading globally, the data that financial institutions must analyse to ensure compliance is expanding. What is more, the larger the bank, the more likely the data is to be spread across multiple IT systems, subsidiaries and formats.

An auditorium session this afternoon will show how Compliance Analytics, part of SWIFT’s suite of financial crime compliance services, can leverage existing data to help banks identify behavioural anomalies, unusual patterns and trends, and other potential warning signs within their SWIFT traffic patterns.

Unveiled at Sibos in Boston, the service has already attracted a number of large institutions as customers. “Compliance Analytics has the potential to help a wide range of institutions of various sizes, complementing our Sanctions Testing and Sanctions Screening services,” says Brigitte De Wilde, head of financial crime intelligence and services at SWIFT.

She suggests that, faced with increased compliance requirements, all banks are looking for the type of information that Compliance Analytics can provide, though



the challenges involved in gathering it in house may vary with size. “Large institutions find it hard to centralise the data they need, as it is often dispersed around the organisation in a range of formats. Consolidating that information at an enterprise level is very costly and time-consuming,” says De Wilde.

The Compliance Analytics service was designed together with the industry following dialogue with major banks about the specific questions they needed to answer. SWIFT has also predefined a set of reports and analysis that can be tuned to the specific needs and objectives of each customer.

“ Compliance Analytics has the potential to help a wide range of institutions of various sizes, complementing our Sanctions Testing and Sanctions Screening services.

Brigitte De Wilde, SWIFT

Many smaller banks meanwhile are being asked by their large correspondents to enhance the transparency of their transactions so they do not expose them to risks they would not want to take. “Since all the requisite information passes through SWIFT, that is something we can certainly help with,” says De Wilde.

To address the needs of smaller institutions, SWIFT recently introduced a Compliance Analytics Reporting Service that provides its benefits on a consultancy basis.

In addition, a new data quality service coming in 2016 will help banks of all sizes address FATF16 data-quality recommendations for originator and ultimate beneficiary information in payments messages.□

Refining sanctions compliance

Today's auditorium session, also part of the Compliance Forum, will outline new functionality in SWIFT's Sanctions Screening and Sanctions Testing services.

SWIFT's Sanctions Screening and Sanctions Testing solutions are designed to cater to the needs of small and large institutions alike by offering both a hosted screening service and a testing facility for banks' in-house screening systems.

"Since last year, we've enhanced the features, functionality and coverage of our Sanctions Screening service and now have over 380 clients using it in 120 countries," says Nicolas Stuckens, head of sanctions compliance, SWIFT.

"Users can now screen all structured transaction formats, including SEPA and Fedwire, as well as transactions sent over other networks," explains Stuckens. "Sanctions Screening supports greater flexibility and back-office integration, and is better adapted to the needs of corporates and other institutions that need to screen the ISO 20022-formatted payments used in SEPA. We've introduced specific rules to allow users to tune their settings to reflect their own risk appetites and reduce false positives."

"Regulators are putting more pressure on financial institutions to ensure strict compliance with global sanctions requirements. It is important that we are meeting full sanctions obligations efficiently and effectively," says Shahid Hossain, managing director, Southeast Bank. "We chose SWIFT's Sanctions Screening because it is cost-effective, easy to use and reliable, which will help us address the increasing operational challenges relating to sanctions compliance."

While Sanctions Screening provides a hosted transaction screening solution, Sanctions Testing enables institutions that have their own sanctions filters to test how well these are working.



We've been able to reduce the hit rate in our payment screening by 60% and in our customer screening by 40%.

Richard Moore, DBS

The main new development is the introduction of a Peer Assessment service. "We launched Peer Assessment this year, after working for two years with our Sanctions Advisory Group and various pilot customers to define a framework that provides insight and understanding into how your filter operates in comparison with your peers," explains Tony Wicks, Sanctions Testing product manager, SWIFT.

Unlike benchmarking exercises that leave institutions chasing arbitrary targets, Peer Assessment helps institutions understand their performance in relation to their peers, says Wicks. "Institutions have different business and risk profiles and may be operating in different geographies," he points out. "The Peer Assessment approach takes that into account, while also enabling users to standardise their approach in line with industry best practice."

Continuous assurance

In addition says Wicks, the industry is moving from annual one-off, point-in-time testing to continuous assurance where filters are tested frequently to ensure systems are fully compliant. "It actually reduces the operational burden, because you automate those tests rather than running them on a one-off basis with your implementation teams. Issues are resolved quickly, with minimum impact," he says.

Sberbank is one major banking group that has turned to Sanctions Testing for such assurance. "Sberbank has acquired a number of subsidiaries in Central Europe and the Middle East in recent years," explains Larissa Zalomikhina, head of compliance, Sberbank. "These banks have different sanctions filtering technologies, and are subject to differing local regulations. SWIFT's Sanctions Testing service is helping us evaluate filter performance and implement changes where necessary in order to optimise screening effectiveness and efficiency and mitigate cost and risk related to our sanctions compliance programme."

SWIFT itself also uses Sanctions Testing to test its own Screening Service and provide assurance reports to users, Stuckens adds.

A third talking point at the session will be sanctions list management. "A lot of



We wanted a common, neutral, third-party assessment of how well the filters are functioning in these branches. SWIFT's Sanctions Testing service is helping us evaluate filter performance.

Larissa Zalomikhina, Sberbank

institutions struggle with list management because sanctions lists come in different formats from different sources," says Stuckens. "We will be introducing a new, SWIFT-hosted service in 2016 to help with that process. Providing a central platform for list standardisation and distribution will simplify the process of managing and customising feeds of data targeted at the multiple systems of an organisation. It will also support the development of community-based lists of risk information, facilitating industry collaboration on sanctions compliance."□

Greater efficiency, lower cost

SWIFT recently performed a Sanctions Testing Assessment for DBS Bank in Singapore. The results clearly demonstrate the service's ability to help banks enhance the effectiveness and efficiency of their transaction and customer screening operations.

"Our operations and compliance team was spending a lot of time investigating 'false positive' hits from our sanctions filters," says Richard Moore, managing director and group head of Financial Crime & Security Services, DBS. "SWIFT tested our filters and delivered a detailed assessment, which provided transparency around our filter settings and their alignment with our risk appetite, as well as best practice on how to optimise filter performance. By making improvements with the help of our vendor, we've been able to reduce the hit rate in our payment screening by 60% and in our customer screening by 40%. This enables our resources to focus more on value added compliance activities instead of handling false positives."□

Efficiency as a service

Today's auditorium session will explore the trends and benefits of leveraging cloud solutions to provide efficiency as a service.

The cloud has been described as the connective tissue of digital business and has facilitated the spread of hosted 'as a service' delivery models, including, among others, Software as a Service, Infrastructure as a Service and Platform as a Service. "We have been talking about Cloud for a while," says Sebastian Rojas, market manager, cloud solutions, SWIFT. "Now is the time to look back and take stock of how far we've come."

Since 2008, SWIFT has continued to evolve its offering, with Cloud solutions enabling direct connectivity to SWIFT. "Last year we focused on the corporate benefits of using the Cloud and we now have more than 1,500 customers split approximately 30% each among corporates, banks and investment managers, and with a further 10% among other types of institutions," says Rojas.

The session will bring together professionals from different markets to discuss their experiences with Cloud services, and their expectations regarding the future impact of hosted solutions on their business. Today, for example, Cloud is not only seen as a main delivery channel,

but also as a potential form of disaster recovery insurance. Alliance Lifeline, a service based on Alliance Lite2, enables continued connectivity to SWIFT in the event that the client's standard connection becomes unavailable. "The requirements of limiting costs while increasing resilience often conflict," says Emil Hajiyev, deputy chairman of the executive board and COO, PASHA Bank OJSC, one of Azerbaijan's largest corporate banks. "SWIFT's Lifeline technology helps us achieve that balance,"

Easier integration

Integrated connectivity is likely to feature as a strong element in the discussion. "It is clear that end-users in particular are looking for their business applications to include 'SWIFT in the box'; in other words, integrated into the third-party application they plan to implement," says Rojas.

Michael Sack, treasurer of Sivantos in Singapore, testifies to the importance of this feature in his firm's decision to leverage SWIFT for multi-bank connectivity. Sivantos, a manufacturer of hearing aids, was spun out of Siemens and effectively had to establish a new central treasury from



We want customers to come away with a clear idea of how different 'as a service' models can be adapted to their advantage."

Sebastian Rojas, SWIFT

scratch. Having opened bank accounts in 15 countries, the firm was faced with the question of how best to communicate efficiently with its financial service providers. "The fact that SWIFT was integrated into our treasury management system was a key factor in bringing us onto SWIFT," he says. "The training we received from SWIFT made the whole exercise smooth and much faster than most implementations I have experienced."

Today's session will highlight the potential of Cloud connectivity through SWIFT. "We want customers to come away with a clear idea of how different 'as a service' models can be adapted to their advantage," says Rojas. "Customers and providers across the financial services spectrum will benefit from hearing how Cloud will reshape their operations in the years ahead." □

Transaction banking in China

An auditorium session yesterday explored likely developments in the Chinese market over the next five years.

How can SWIFT support the expansion of its customers' transaction banking business in China? Guo Qichen of China Guangfa Bank, Helen Yu of Bank of America, and Philippe Dirckx of SWIFT identified opportunities for action during a panel discussion hosted by Eric Yang of SWIFT.

China is the destination for a number of expanding trade corridors. The US to China, for example, is the biggest cross-border payments corridor on SWIFT. Banks are therefore developing customer payment services to facilitate the growth in trade. "RMB Internationalisation remains a potential game changer and will serve as a likely catalyst for the longer-term development of China's transaction banking space," says Soumen Sircar, head of financial institution sales, Asia Pacific, Global

Transaction Services, Bank of America Merrill Lynch. "The RMB will also provide a newer channel for global banks to explore broader China strategies by creating more cross-border opportunities."

The SWIFT RMB Tracker, which measures the use of the Chinese currency in international transactions, shows that the RMB has gone from being currency number 20 in 2012 to the fourth largest cross-border payments currency in 2015, said Dirckx, who heads markets and initiatives for SWIFT in APAC. International payments in RMB have increased more than fiftyfold over the past four years. "More than 1,100 financial institutions in over 90 countries are doing business in RMB, using SWIFT," he confirms.

SWIFT expects to continue to grow the number of China endpoints to banks

and corporates to support its customers' business expansion. It is also developing a relationship with the China Cross-border Interbank Payment System (CIPS), a project of the People's Bank of China to process international payments in the Chinese currency, the first phase of which was launched last week. SWIFT is evolving its product and service suite to further facilitate global RMB adoption.

"Corporates are one of our priorities," Dirckx adds. "We predict that there will be 120 Chinese corporates on SWIFT by 2018." "With China's financial sector liberalisation and RMB internationalisation, the traditional profit model based on the deposit/loan rate gap is not going to be sustainable for banks operating in China," says Guo, who heads the trade and clearing services for China Guangfa Bank. "Transacting banking business is of strategic significance for banks' profitability and we believe there is a lot of room for cooperation with SWIFT in this respect." □

India Community Breakfast at Sibos



For a second year at Sibos, the chairman, CEO and entire Indian Bank's Association (IBA) delegation to Sibos joined the Board of SWIFT India and senior management of SWIFT for a breakfast workshop to discuss opportunities to leverage SWIFT as a domestic channel across payments, trade finance and treasury transactions. "It is my pleasure to lead the Indian banking community to Sibos this year," said Mr. Ashwani Kumar, chairman both of IBA and the SWIFT User Group. "We fully support the automation and integration of mature banking channels such as SWIFT and look forward to further enabling efficiency and safety in our domestic financial markets with our joint venture in SWIFT India."

SWIFT traffic highlights

On Friday, 9 October 2015, InterAct traffic reached 2.6 million messages, bringing the daily average traffic volume for October to 2.9 million messages.

October so far has shown an increase of 34% versus the same period last year. This significant increase is mainly related to TARGET2-Securities (T2S) traffic.

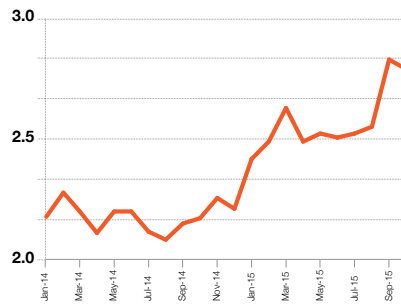
Double digit growth

Year-to-date, InterAct traffic is growing by 22%, reaching an average of 2.7 million messages per day. T2S is contributing 39% of this growth.

Corporate Actions and Funds traffic is also show strong growth, with +78% and +38% respectively compared to the previous year. All regions show positive growth. Asia Pacific performs well in FX, with a traffic increase of 14%. □

SWIFT InterAct Traffic year to date

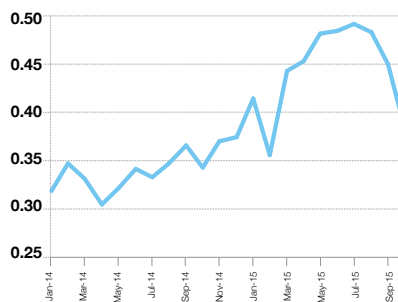
Total SWIFT	Messages	growth
All business areas	2,673,247	+21.6%
Securities MI	1,518,663	+27.6%
FX	702,102	+8.1%
Funds	282,658	+38.4%
Banking MI	154,364	+2.4%



EMEA region	Messages	growth
All business areas	2,037,186	+20.1%
Securities MI	1,141,684	+25.0%
FX	471,968	+6.1%
Funds	263,930	+37.1%
Banking MI	146,183	+1.9%



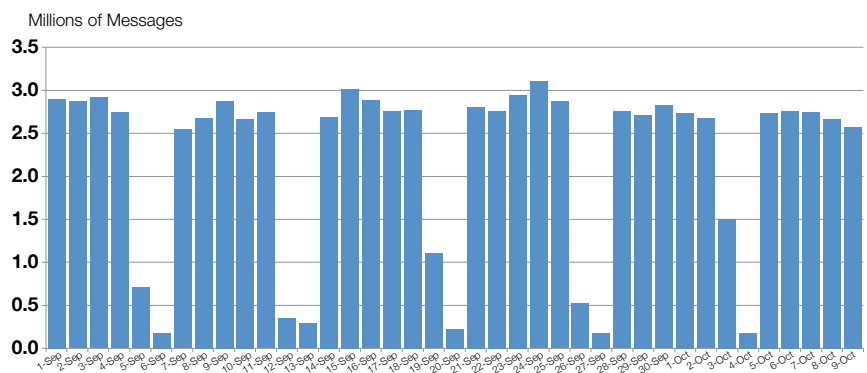
Americas region	Messages	growth
All business areas	449,369	+34.3%
Securities MI	311,559	+45.1%
FX	123,284	+11.3%
Funds	13,236	+66.4%
Banking MI	33	+1.7%



Asia Pacific Region	Messages	growth
All business areas	186,692	+10.9%
Securities MI	65,419	+4.5%
FX	106,850	+13.6%
Funds	5,492	+48.5%
Banking MI	8,148	+12.5%



SWIFT InterAct daily traffic evolution





SWIFT facilitates industry harmonisation for ISO 20022

SWIFT collaborates with market infrastructures to ensure a cost effective and seamless move to ISO 20022.



Societe Generale Group migrates its French domestic LVP to SWIFTNet

Societe Generale Group has confirmed that it will migrate its domestic ACH traffic from STET with a proprietary channel to SWIFT FileAct Real Time

Left to right: Arnaud Delehaye, SWIFT; Frantz Teissedre, Societe Generale; Pascal Auge, Societe Generale; Jean-Marie Vallee, STET; Alain Raes, SWIFT.



J.P. Morgan ready to begin live exchange of information via The KYC Registry

J.P. Morgan, one of the pilot members of The SWIFT KYC Registry, has published its baseline for CHASUS33 and is ready to begin live exchange of KYC information.

Left to right: Theodore Rothschild, JPMorgan Chase Bank, N.A.; Diane Valcic, SWIFT; Holly Johnson Stuhr, J.P. Morgan; Bart Claeys, SWIFT; Scott Florio, SWIFT; Patricia Giangrande, J.P. Morgan.



China Guangfa Bank expands corporate services

From corporate banking to transaction banking, China Guangfa Bank is providing more services through SWIFT for Corporates in China.

Left to right: Kang Xie, China Guangfa Bank; Vincent Yang, SWIFT; Bing Chen, China Guangfa Bank; Eddie Haddad, SWIFT; Qichen Guo, China Guangfa Bank; Lianming Zheng, China Guangfa Bank; Daphne Huang, SWIFT; Natalie Zhang, SWIFT; Eric Yang, SWIFT.



Norges Bank adopts MIRS

Norges Bank is the latest central bank to adopt MIRS, the RTGS resiliency service developed by SWIFT. Kjetil Heltne, the MIRS project manager for the Norwegian central bank, shares his views on the MIRS implementation and enhancing the bank's resilience in the MI Forum Magazine.

Left to right: Stephane Ernst, SWIFT; Juliette Kennel, SWIFT; Elisabeth Lervik, Norges Bank; Kjetil Heltne, Norges Bank; Arun Aggarwal, SWIFT.



Northern Trust selects SWIFT for its T2S products and services

Northern Trust has selected SWIFT Consulting Services for Standards and Technical support for its T2/T2S project. In addition, Northern Trust has implemented T2S Connector and IPLA single licence.

Left to right: Pieter Apers, SWIFT; Isabelle Olivier, SWIFT; Justin Chapman, Northern Trust; Felina Solomon, SWIFT.



DTCC-Euroclear GlobalCollateral Ltd leverages SWIFT’s MyStandards

GlobalCollateral, a joint-venture between DTCC and Euroclear, has signed an agreement to deploy SWIFT’s MyStandards to ensure that its clients are leveraging the most up-to-date messaging standards for collateral movements.

Left to right: Ted Leveroni, DTCC; Michael Shipton, Euroclear; Fabian Vandenreydt, SWIFT.



Credit Suisse and SWIFT mark successful completion of project using Alliance Messaging Hub

In a joint effort, Credit Suisse and SWIFT have successfully completed Credit Suisse’s Financial Messaging Platform Project which is running all its financial messaging, including domestic and international messaging flows, through SWIFT’s AMH Platform.

Left to right: Christian Kothe, SWIFT; Sagit Shiran, SWIFT; Cristina Rigo, SWIFT; Ralph Halter, Credit Suisse AG; Kurt Tschudin, Credit Suisse AG; Win Bausch, Credit Suisse AG; Leo Punt, SWIFT; Tony Daly, SWIFT.



CMB partners with SWIFT for integrated connectivity to Chinese corporates

CMB and SWIFT have strengthened their partnership by jointly offering CBS-TT plus SWIFT connectivity to Chinese corporates. CMB has also subscribed to The KYC Registry.

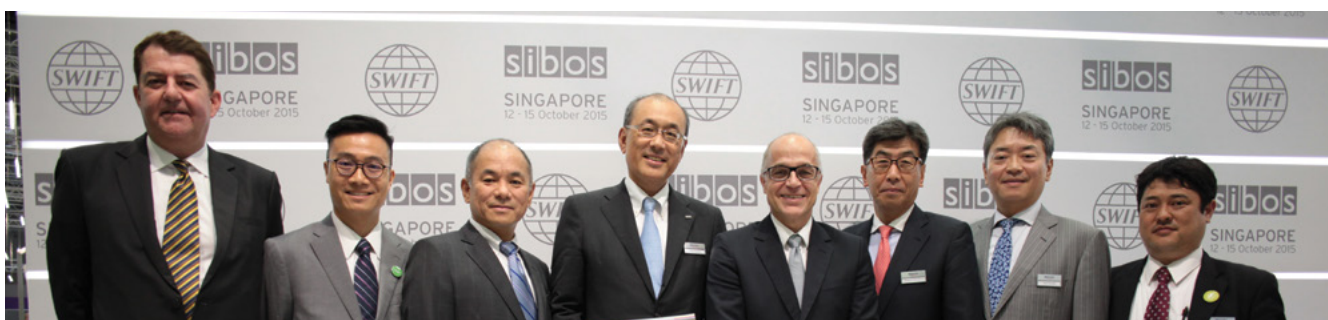
Left to right: Vincent Yang, SWIFT; Jianzhong Chu, China Merchants Bank H.O.; Stella Lim, SWIFT; Eddie Haddad, SWIFT; Zhihong Tang, China Merchants Bank H.O.; Daphne Huang, SWIFT; Jinqing Xia, China Merchants Bank H.O.; Jian Gao, China Merchants Bank H.O.



Payments UK and SWIFT join forces to help banks comply with new European SEPA regulations

Payments UK has chosen SWIFTRef to deliver the UK SEPA IBAN Only infrastructure. It is providing an automated central IBAN BIC data collection and maintenance service based on the SWIFTRef platform.

Left to right: Stephen Gilderdale, SWIFT; Tim Yudin, Payments UK; Gerard Lemos, Payments UK; Hervé Valentin, SWIFT.



Mizuho launches Mizuho Global e-Sett. with SWIFT Bank Readiness and TSU

Mizuho Bank is taking transaction banking one step further by integrating SWIFT Bank Readiness and TSU into “Mizuho Global e-Sett.”

Left to right: Eddie Haddad, SWIFT; Edwin Lee, SWIFT; Katsuyuki Mizuma, Mizuho Bank, Ltd.; Akira Sugano, Mizuho Bank, Ltd.; Alain Raes, SWIFT; Kazuya Kobayashi, Mizuho Bank, Ltd.; Yuji Tanaka, Mizuho Bank, Ltd.; Koji Kawase, Mizuho Bank, Ltd.

SWIFT for Securities

SWIFT is continuing to expand its offering to help securities market participants address efficiency and compliance challenges.

An auditorium session is taking place tomorrow morning on the key challenges faced by securities market participants and the way SWIFT is addressing their requirements. Building on the SWIFT for Securities session organised in Boston last year, the securities team will focus on two concrete offerings from SWIFT that help meet the industry's efficiency and



In the session we will focus on two new SWIFT solutions: Watch for Securities, and The KYC Registry for funds distribution and custody services, both of which launched earlier this year.

Valerie Letellier, SWIFT

compliance challenges.

"Securities are a very important area for SWIFT with close to 50% of SWIFT traffic relating to securities transactions. Last year in Boston, it was clear that industry participants wanted to concentrate on those aspects of their offering that bring them a competitive advantage, while sharing other, more commoditised services," says Valerie Letellier, market manager, securities markets, SWIFT. "That's where we can really help. In the session we will focus on two new SWIFT solutions: Watch for Securities, and The KYC Registry for funds distribution and custody services, both of which launched earlier this year."

Watch for Securities

Watch for Securities is a Business Intelligence offering that can help securities market participants draw the most out of their SWIFT data. The product primarily covers settlement and corporate actions flows and provides securities market players with aggregated global traffic information that allows them to measure

and benchmark their performance against the market.

The KYC Registry

Meanwhile, addressing challenges for compliance, The KYC Registry provides correspondent banks and fund participants with a standardised set of qualified data and documentation needed to fulfil KYC obligations. Participants in the Registry can contribute an agreed 'baseline' set of data and documentation for validation by SWIFT, and can then share this information with their counterparties using the Registry.

The Auditorium session is not the only place to learn about how SWIFT is addressing the needs of securities players. SWIFT's contribution to the efficient workings of securities market infrastructures will, for example, be covered in several of the main conference sessions and specific fora. "For those delegates looking to go into the details of the products, we will have hands-on demos in the SWIFTLab and in the Compliance room on the SWIFT stand," she adds. □

Cutting the risk of fails

As settlement timeframes narrow, cloud connectivity to SWIFT is enabling a new wave of asset managers to automate their custodian links.

While corporates have been quick to take up the option of SWIFT connectivity tailored to their size and transaction requirements, Tom Scarpulla, commercial manager, SWIFT, highlights another client segment attracted by the potential for streamlining their communication with service providers. "There is a growing trend among investment managers to seek to automate their communication with custodians," he says.

Scarpulla cites the example of Manning & Napier. Headquartered in Rochester, New York, the 40-year old firm has a mixed retail and institutional client base. "They were sending faxes for their settlement instructions and have been aware for some time that there were more efficient means of communicating with their custodian banks," he says. "Their end clients could be charged by the

custodian banks as they had to manually enter these faxes into their system."

While a number of large global investment managers have been on SWIFT for several years, Scarpulla says cloud connectivity is now attracting a broader range of asset managers, who now comprise a growing 20% of cloud customers.

Manning & Napier chose Alliance Lite2 for access to the SWIFT network. At the same time, says Scarpulla, an integration project was undertaken to convert faxes into SWIFT (FIN) messages, using the SWIFT Integration Layer. "Everything is pretty much hosted by us, with a very small footprint at the firm," he says.

Sibos in Boston in 2014 provided the opportunity for Scarpulla to reach out to Manning & Napier. "I invited them to the Investment Manager Forum at Sibos, and they were impressed by the amount of collaboration and knowledge sharing at



We have worked closely with SWIFT and that process has cleared those hurdles. We are now in testing with custodian banks.

Erik Schleicher, Manning & Napier

the event," he says. "Everything started moving in March of this year. They are live today, meaning the implementation of Alliance Lite2 and the Integration Layer took only a few months from start to finish."

"The first hurdle for us was understanding all the different tags that you would need to generate a SWIFT message," says Erik Schleicher, operations manager, Manning & Napier, "but we have worked closely with SWIFT and that process has helped clear those hurdles. We are now in testing with custodian banks." □

Australian innovation in real-time payments

This morning's auditorium session on SWIFT for real time payments will draw on SWIFT's experience of designing a new infrastructure for the Australian payments market.

Australia's New Payments Platform (NPP) is a major industry initiative to develop new national infrastructure for real-time 24/7 payments in Australia. At the end of 2014, following a competitive tender process, NPP Australia, the mutual company set up by the Australian Payments Clearing Association (APCA) to oversee the project, signed a 12-year contract with SWIFT to design, build and operate the basic infrastructure. The "design and elaborate" stage of the project was successfully completed in July 2015 and the programme has now moved into the 'build and internal test' stage. "SWIFT will deliver iterative 'drops' of functionality to the industry from May 2016 through

“There is no big central utility being established. This lets the innovation occur on the edge as participants develop new services to launch on top of the basic infrastructure.”

Bill Doran, SWIFT



to mid-2017," says Bill Doran, head of Oceania, SWIFT.

Unique model

Doran describes the NPP model as unique. "Other countries have introduced real-time or near-real-time payments clearing but real-time settlement is quite unique for a system of this type," he says.

Essentially, says Doran, SWIFT is setting up a new set of rails for Australia's payments industry and NPP messages will stay in-country separate to SWIFT's global SWIFTNet infrastructure. However, SWIFT customers will be able to re-use their existing SWIFT footprint to connect to this new domestic system as well as SWIFTNet." This model allows for overlay services, which participants, both bank and non-bank, can commercialise. "These can serve different business purposes," says Doran. "If someone comes up with a good idea and needs to tap into the real-time payments system to make that idea a reality, the NPP framework allows for that organisation to join and connect to the system, or the rules related to that overlay can be adopted as a 'scheme' by some or all of the existing participants. We expect multiple innovations to be built on top of the platform as time goes on." The first overlay service, which will be launched on the day the system goes live, will likely enable instant person-to-person, person-to-business or business-to-person payments.

Innovation at the edge

Doran describes NPP as a "light touch" infrastructure. "There is no big central utility being established. This lets the innovation occur on the edge as participants develop new services to launch on top of the basic infrastructure," he says. "We are providing the secure, reliable, 24/7 connectivity between participants. The Payments

“The trend towards real-time payments is having a profound impact on the global payments ecosystem.”

Juliette Kennel, SWIFT

Gateway software will reside on the participant's premises and will be responsible for routing the clearing messages and orchestrating the settlement flows with the Reserve Bank of Australia's Fast Settlement Service."

The commercial structure of the relationship is also an innovation for SWIFT. "NPP Australia Limited is our contracted entity; we're not entering into individual contracts with participants," he explains. "That company will offer our products and services on a resale model. While the vast majority of banking participants are already SWIFT clients, their contract is with NPP, as is ours."

Global benefits

Juliette Kennel, head of market infrastructures, SWIFT, sees the Australian initiative as a case study of what can be achieved. "The trend towards real-time payments is having a profound impact on the global payments ecosystem," she says. "The Australian industry's decision to develop the NPP system is a significant step in shaping the future of the payments industry, not just in Australia but also for the global financial community. Clearly other markets will have their own specific requirements, but we expect to be able to reuse important elements of the technologies we are developing for Australia elsewhere." □

NPP overview

The "basic infrastructure" elements of the NPP include the network, switch and addressing database. SWIFT will build, deliver and support the first two components and has sub-contracted Fiserv for the database. The system is due to go live in 2017. Existing SWIFT users will be able to re-use their SWIFT connectivity packs if they choose to do so. NPP also caters for indirect participants who will rely on agency services provided by a direct participant. □

ISO 2022 – a strategic approach

The global financial industry is moving towards greater coordination in implementation and migration strategies.

Over the past few years, ISO 2022 has emerged as the default messaging standard for market infrastructures around the world. This morning's auditorium session (See page 12 for details) will help delegates build a strategic and tactical implementation roadmap for ISO 2022 in light of its growing importance to a diverse range of financial transactions.

"Over the past few years, the drivers for adoption of ISO 2022 have primarily been market infrastructures and corporate-to-bank communications, but there are numerous adoption projects around the world," says Patrik Neutjens, ISO 2022 programme director, SWIFT. "We expect to

see accelerated growth of ISO 2022 traffic on SWIFT over the next two years, both on InterAct and FileAct."

ISO 2022 will reach all financial institutions sooner or later, says Neutjens. "The bigger the institution, the more substantial the overall impact is likely to be. We are helping our customers prepare for this."

Up to now, he notes, both market infrastructures and financial institutions have tended to tackle each new ISO 2022

implementation in isolation. "We think it is both safer and more efficient to take a holistic perspective," he says. "Look at all the market structures in which you participate worldwide and see what they're planning in the next five to 10 years. Take a strategic approach to implementation and adoption. Both operational and business people within each institution need to be involved in planning for this."

One consequence of a case-by-case approach is that each project has tended to develop its own flavour of ISO 2022. "At Sibos in Boston, the industry expressed some concern that, if we were not careful moving forward, inconsistencies would develop," says Neutjens. "When we heard this, we facilitated a meeting with 20 market infrastructures that were about to or had implemented ISO 2022, and work has continued throughout the past year." As a consequence Sibos delegates yesterday saw the unveiling of a 'harmonisation charter' for the adoption of ISO 2022, covering best practice, how market participants should publish and consume information as well as issues of release and version control. "If a bank takes part in numerous market infrastructures, it will now be able to rationalise its implementation strategies," says Neutjens. □

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Patrik Neutjens, SWIFT



Canadian payments system modernisation

The Canadian Payments Association has selected ISO 2022 as the foundation for a wide-ranging infrastructure reform programme.

Faced with pressures for enhanced risk management and a changing market landscape, Canada, in common with many other countries, is defining its strategy to modernise its payment systems.

The Canadian Payments Association (CPA), Canada's main financial market infrastructure for payments, operates both the large value wire transfer system (LVTS) and the automated clearing settlement system (ACSS) for low value, high volume retail payments. It has developed a five-year strategic plan with one of the key outcomes being the development of a strategy and plan for the modernisation of the national payments clearing and settlement framework and infrastructure. The plan will allow the CPA to anticipate

the industry and society's changing needs and position itself on how it can best support Canada's financial system and economy into the future.

One of the aspects of the reform programme is the introduction of ISO 2022 message formats. Currently, EFT payments (direct credits and debits) use one message format, LVTS wire payments use another, while Electronic Data Interchange (EDI) information for business-to-business transactions and bill payments involves yet another message format.

With the growing uptake of ISO 2022 across major infrastructure initiatives, adoption of ISO 2022 has become the foundation of CPA's payments modernisation plan. It is being closely supported by SWIFT at both a market infrastructure

level through the provision of ISO 2022 expertise and at an individual participant level through help with adoption of the standard using SWIFT's MyStandards application.

According to Mark Brule, director, payments innovations at the CPA, "The main drivers behind the payments modernisation initiative are to provide the Canadian market with enhanced, more robust remittance data, introduce interoperability for both domestic and cross-border payments and to increase the efficiency and downstream benefits for CPA's members, stakeholders, and their customers. The design is not simply to replace the current payment schemas, but to allow for new payment and remittance message types in the future." □

Freeing trade from paperwork

SWIFT is helping banks to promote the automation of trade documentation.

This year's Corporate Forum is taking place under the umbrella theme of 'Shaping the future of treasury and trade'. Day two (Thursday) will focus on trade finance and digitisation.

"Going digital in the trade and supply chain requires significant infrastructure investment to get everyone connected," says André Casterman, global head of corporate and trade markets, SWIFT. "Trade flows essentially take place in the corporate-to-corporate space, where we see more and more business platforms digitising flows such as purchase orders, shipping information and invoices." He suggests, however, that the take-up of digital trade financing is lagging. "The first way we can help banks in this new environment is to connect those digital trade flows with the banking system so that banks can deliver digital trade finance services."

Currently trade finance remains largely paper-based. "Banks are very interested in upgrading their trade finance services to an automated framework so that they can finance transactions based on digital flows," says Casterman. This is facilitated by Fintechs that are implementing SWIFT standards for communication with banks, including the MT 798 for letters of credit and ISO 20022 for Bank Payment Obligations (BPO), used to support open account trade.

"ANZ's industry standard BPO transaction set the tone for the success of BPO and the ongoing technological evolution of trade finance flows," says Vivek Gupta, global head of trade & supply chain product at ANZ. "Through this structure, ANZ has

innovatively addressed the critical gaps one encounters while approaching BPO in isolation and has thereby demonstrated that great value can be delivered through a strategic and collaborative approach across clients and various supply chain partners."

"Combining the electronic corporate-to-corporate solutions with BPO both

streamlines the bank-to-bank trade finance process and supports further digitisation among the corporate counterparties themselves," says Casterman. "To this end, we are partnering with a number of third party platforms, such as essDOCS, to help better rationalise trade information flows." □



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Vivek Gupta, ANZ



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André Casterman, SWIFT

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making real-time payments really work

a real-time payments system that's secure, reliable and peer-to-peer

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today in the SWIFT Auditorium

09:30 - 10:15	SWIFT for Real-Time Payments
10:30 - 11:15	Why financial institutions need an ISO 20022 implementation strategy now
13:30 - 14:15	Simplify sanctions compliance with SWIFT's expanding shared services portfolio
14:30 - 15:15	Efficiency as a service (EaaS) – The SWIFT community cloud
15:30 - 16:15	Empower your compliance teams with insights from SWIFT's Compliance Analytics

today from the SWIFT Institute

Lectures will take place in the amphitheatre on the SWIFT stand (A50)

14:00 - 14:30	Risk management in the age of disruption Alan Laubsch, director, Financial Network Analytics
14:30 - 15:00	How and why China's domestic securitisation market will leapfrog the West
15:00 - 15:30	Transparency in securities transactions and custody chains

today in the SWIFTLab

09:15 - 10:00	SWIFTRef - improve straight-through processing of payments
10:00 - 10:45	MyStandards - standards made simple
12:00 - 12:45	Alliance Messaging Hub demo
14:30 - 15:30	Messaging for corresponding banking on SWIFT (Lite2 and Sanctions Screening)
15:30 - 16:15	Migrating to ISO 20022 (case study: High value payment converter for participants)
16:30 - 17:00	SWIFTRef - improve straight-through processing of payments

today's highlights at Innotribe

Visit the Innotribe stand for the latest scheduling information.

14:00 - 17:00	Innotribe Startup Challenge Finale
Book signings on the Innotribe Stand	
11:30	Jay van Zyl: Built to Thrive: Using Innovation to Make your Mark in a Connected World

don't miss today!

Join Day 2 of the Compliance Forum

On the Standards Forum:

09:00 - 09:45	A little less conversation, a little more action: standards and effective compliance
13:00 - 13:45	Compliance focus: Finding the needle by standardising the payments haystack
14:00 - 14:45	Beyond messages: ISO 20022, APIs, and the PSD2

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