



SWIFT Response to the  
European Central Bank's  
consultative report on the future  
of Europe's financial market  
infrastructure - RTGS services

04 April 2016

SWIFT welcomes the European Central Bank's (ECB) consultative report seeking views on the future of Europe's financial market infrastructure, and we thank the ECB for the opportunity to provide feedback.

SWIFT provides its community with a platform for messaging, 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. Whilst 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 facilitating global and local financial flows, and supporting trade and commerce all around the world. As their trusted provider, we relentlessly pursue operational excellence and 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 global office network ensures an active presence in all the major financial centres.

Market infrastructures and TARGET2 feature significantly in SWIFT's long-term strategy and SWIFT is delighted therefore to provide comments to the ECB on the provision of its RTGS service. We thank the ECB again for opportunity to comment. Please do not hesitate to contact us should you wish to discuss our comments further.

A handwritten signature in black ink, appearing to be 'Alain Raes', written over a horizontal line.

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SWIFT has answered some of the questions raised in the report further below, but also wishes to provide some comments on the contextual section on technical consolidation opportunities, as follows:

**Migration of RTGS services to ISO 20022:** ISO 20022 is emerging as the standard of choice for payments messaging and market infrastructures around the world. By choosing ISO 20022 for TARGET2 (T2), the ECB aligns itself with other European and international financial initiatives. This will benefit all participants who will value the advanced features that ISO 20022 offers for the provision of new services, as well as the economies of scale that use of a common standard will bring to their financial processing environments.

We believe that ISO 20022 already offers all the messages required for an RTGS service. For the full benefits of standardisation to be realised, it will be important to ensure international harmonisation of the way ISO 20022 is deployed. The ECB is actively cooperating with SWIFT and other PMIs to achieve harmonisation via SWIFT's ISO 20022 harmonisation programme. One dimension of this programme is to bring together RTGS operators to agree and publish global market practice for large-value payments processing, and SWIFT looks forward to continue working with the ECB and others to evolve existing market practice to include new capabilities.

A 'full' implementation of ISO 20022, which enables participants to benefit from the advanced features of the standard, is welcomed. However, attention should be paid to protecting basic use cases from the potential impact of a full implementation, perhaps by phasing the introduction of new features, or by introducing technical workarounds on the users' side to allow those that do not have 'native' ISO 20022 back-office capabilities to participate.

SWIFT recommends the use of network validation at global market practice level to ensure a common base-line for standards support and enforcement of harmonisation constraints. Validation on the network means that participants who unintentionally break standards or market practice rules do not risk affecting the central system of their counterparts, and receive negative acknowledgements in a form consistent with those from other services.

**Independence vis-à-vis network service providers:** SWIFT understands the ECB's reason for wanting to offer the possibility of accessing the platform via different network service providers and technologies and, whatever the decision, SWIFT will support the transition to ensure it is as smooth as possible. We would, however, like to make the following points:

- **Cost:** We appreciate that greater competition amongst network providers should bring cost benefits to users, but point out that a user connecting to more than one network provider will incur multiple sets of costs (eg. infrastructure, recurring tests, the split of traffic, etc) which would likely reduce or negate any savings gained from a more competitive market.
- **Resilience:** The use of more than one network does not necessarily provide greater resilience as one of the major challenges will be to guarantee full diversity (technical, governance, etc) between network providers. A single network provider strong in the areas of governance; risk management; security information management; service availability; service reliability; business continuity management, and disaster recovery plans would be sufficiently resilient. We suggest therefore that the network provider tender process should include a specification for independent and full resilience, so that a user of a single network provider can be assured that their resilience needs are covered.

- A lower technical entry barrier/internet connectivity: We recommend that the network provider tender process should include the provision of a low-cost, resilient, and secure solution for entities with smaller flows.
- Additional services: Network providers should not be limited from providing additional services (i.e. copy, retrieval, screening). Participants may benefit from innovative shared services that are cost-effective, because the cost is mutualised, and easy to implement because they are provided 'in the cloud'.

**Enhanced information security and cyber resilience:** Cyber security and resilience are of the utmost important to SWIFT and we look forward to working closely with the ECB and supporting the broader SWIFT community as the renewal programme gets underway.

The recent CPMI-IOSCO consultative [report](#) providing guidance on cyber resilience for financial market infrastructures states, *"FMIs should design and test their systems and processes to enable timely recovery of accurate data following a breach. As an example, FMIs' systems and processes could be designed to maintain an uncorrupted "golden copy" of critical data (including, to the extent possible, application source code), to be used in the restoration of impacted systems and data."* SWIFT believes that the best place to hold such an independent "golden copy" is with the network provider that carries the original transactions, as they will not have been corrupted by any potential RTGS incident.

**Single gateway:** SWIFT is supportive of the concept of a single gateway, which is something we have provided to users of our services for many years and which is highly appreciated for enabling cost savings and operational efficiency. Ideally a single gateway should be reusable by banks that will need to connect to other market infrastructures, not solely to other services provided by the ECB.

**Openness to new technologies:** Like many other organisations, SWIFT is exploring new technologies such as distributed ledger technology, and we are conducting extensive research with our community on how these new technologies could be used in the financial sector. We would be delighted to share our views with the ECB and to contribute to their assessment exercises should that be of interest.

## Questions

- 1. Should the Eurosystem harmonise the user interface for Eurosystem services? If so, what would you identify as the specific benefits to your institution? If not, what would be your reason for not harmonising the user interface?**
- 2. Are there further considerations that the Eurosystem should take into account in deciding whether or not to harmonise the user interface?**

SWIFT would certainly support harmonisation of the user interface, and we encourage the Eurosystem to select generic solutions that could be reused by TARGET2 participants for access to other market infrastructures at both domestic and international level.

- 3. Do you agree with the listed findings on the provision of multi-currency RTGS services? If not, please explain.**
- 4. Would you expect your institution to use multi-currency RTGS services?**

While we have no view on whether or not the ECB should provide multi-currency RTGS services, SWIFT already offers this provision to other RTGSs and will be able to support whatever level of service the ECB chooses.

**5. Would you expect your institution to use the additional fields that ISO 20022 payment messages support? If so, please describe the types of additional payment fields, and the purpose for which they would be used.**

SWIFT believes there is great value in enabling ISO 20022 extended remittance information to be transported between participants, and observes that this is a key driver for the adoption of ISO 20022 in other markets. SWIFT has published a [white paper](#) in cooperation with the Canadian Payments Association, which describes in detail the economic benefits of bringing this capability to the wider economy.

Other ISO 20022 data elements that we believe would bring significant benefits if enabled in the TARGET2 system include:

- Ultimate debtor and ultimate creditor: These elements are increasingly required by regulators concerned with the ultimate source and destination of funds and the present MT standard is only able to transport this data in unstructured fields.
- End-to-end identification: The ability to carry an end-to-end reference to a payment transaction rather than an individual message enables solutions such as payments tracking (as envisaged in SWIFT's global payments innovation initiative).
- Purpose: Purpose codes are required in many markets to comply with regulation that requires that the purpose of inbound payments to be identified.

In addition, we expect the finer granularity and semantic precision of data in ISO 20022 – for example the structured presentation of party name, address and identification – to improve efficiency of critical processes such as sanctions screening, and to provide better quality data for analytics and business intelligence.

**6. Do you agree with the Eurosystem's expectations in terms of participants' accounts management?**

**7. Could you indicate which services TARGET2 must retain or enhance regardless of their usage?**

**8. Conversely, could you indicate which services should be reassessed or not be considered in the context of the Eurosystem's vision?**

**9. Which of the current liquidity management tools does your institution currently use?**

**10. Which of the current liquidity management tools does your institution intend to use in the future?**

**11. Would your institution require RTGS services that are not listed as potential enhancements?**

SWIFT is not a TARGET2 participant and therefore has no comments on the issues covered in questions 6 to 11.

**12. Does your institution have a requirement of extended opening hours for RTGS services? If so, for what purpose would the extended opening hours be required? What would be the required extended opening hours?**

Given increasing moves towards instant payments, SWIFT suggests the platform design should be flexible enough to cater for future needs up to and including 24/7/365. Some organisations will not need this functionality, however, and they should be shielded from the impact that extended hours would have on their operations and staffing.

**13. Does your institution have analytical requirements that could be provided as services? If so, please provide a brief description.**

**14. Are there services that the Eurosystem should provide as part of its RTGS services to support the compliance of your institution with regulatory requirements? If so, please list them. If not, are there specific reasons that such services could not be provided?**

All financial organisations have a range of business intelligence needs, financial crime compliance and regulatory reporting obligations, but these apply to their payments activities across multiple payments channels and currencies, not just TARGET2. We recommend that the TARGET2 flows are standard and open enough to allow banks to continue using solutions that cover all payment channels, including other market infrastructures and correspondent banking flows. SWIFT has market-leading expertise in providing these solutions and we would be happy to share our experience in setting up and operating such solutions.

**15. Have you identified an additional functionality that the settlement procedures for ancillary systems should cater for? If so, please describe.**

**16. Are there additional optional services that the Eurosystem should provide for ancillary systems?**

SWIFT has no comments on the issues covered by questions 15 and 16.

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