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Mumbai contact

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Fast facts

Date

11 November 2009

Delegates

267

Speakers

16

SWIFT partners

- ACE
- Clearstream
- ERI
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- SmartStream
- SUN
- Xchanging
- Volante

One year on: our road to recovery

After welcoming the crowd, SWIFT's Chief Executive for Asia Pacific **Ian Johnston** was joined by Head of India and the subcontinent Arun Tiwari to learn more about Arun's recent attendance at the World Economic Forum India Forum prior to the Business Forum. Arun reported a clear consensus that the financial sector plays an important role in the development of the Indian economy, not just in terms of financing the significant market infrastructure investments that need to be made but also in supporting domestic market growth. In terms of economic forecast, Arun said, the WEF discussion was about how to get back to 9 percent growth on a sustainable basis, because everyone was assuming that the current growth of 6-7% is being realised.

James Shapiro, Head of Market Development at the Bombay Stock Exchange, gave an opening speech about why he believes that right now there are "very exciting opportunities for India to establish Mumbai and its capital markets as a true financial centre and to expand exponentially for the next five years."

Reasons for his optimism included the fact that "You have in place today a relatively complete, well functioning, sensible regulatory regime. It's proven itself over the past five years... it will change no doubt over the next five years but it has in place mechanisms for change... It is a basically sound,

modern regulatory infrastructure, which no other economy this size in Asia can really boast of."

He also remarked that "India is extraordinarily open to foreign participation in its financial markets. Right now, seeing a huge influx of new participants (this year) coming into the market. People see the opportunity here and they're starting to set up their businesses, which will be an enormous driver of growth and of innovation."

Competition will therefore also be an important driver for growth, according to Shapiro, and he asserted that "very few countries around the world have a regime as open to competition – certainly in the stock market or exchange space, as India."

SWIFT is key to India's development as well as the continued success of the Bombay Stock Exchange, added Shapiro: "We've recently become the first securities industry participant in SWIFT in India and this represents the beginning of a long term and important partnership for us," he said. "In a way, what I've seen in terms of our relationship with SWIFT is really a model for me in terms of building relationships with other participants in the market. We see at the BSE that the path to the future is about adapting and changing our business model. And you do that – and we've seen other stock exchanges do that – through partnerships."

As for challenges and problems, Shapiro pointed to issues around infrastructure and regulatory change keeping up with developments in the markets. One example he gave was in algorithmic trading, which is already in the market and the pressure to increase it is strong, which means there will be need to regulate it.



Commenting on the theme of the day (uncertainty and recovery one year on), Shapiro concluded: “India has clearly weathered this global storm reasonably well... The markets have come back substantially from pretty dramatic and severe decline and there’s no doubt in my mind they’re on a path to recovery. The financial sector will be a significant driver of growth. The question is: what path will the recovery will take and which sectors will lead the recovery? Clearly from my point of view, the financial services sector is one of those sectors. I see that regulators in Mumbai and Delhi also believe in the power of the financial sector to be a leading sector for economic growth and recovery.”



^ Interactive dialogue between Arun Tiwari, head of India and Subcontinent, and Ian Johnston, Chief Executive of Asia Pacific, SWIFT.



^ James Shapiro, Head, Market Development, Bombay Stock Exchange



^ S. Sridhar, Chairman & Managing Director, Central Bank of India

Opening plenary and panel discussion

Name of Panelists:

> **S. Sridhar**, Chairman & MD, Central Bank of India

> **Jean-Joel Schittecatte**, Consul General, Consulate of Belgium

> **James Shapiro**, Head, Market Development, Bombay Stock Exchange

Moderator: Ian Johnston, Chief Executive, Asia Pacific, SWIFT

Ian Johnston asked the panel about the biggest risks to recovery for India at this time. **Jim Shapiro** said that “For better or worse, the Indian economy is very heavily domestically oriented. The domestic savings rate, domestic consumption and spending on infrastructure and other efforts will be really the driving factors here.”

S. Sridhar, said he believes that inflationary tendencies have started and will pick up in early 2010. “The good thing is that the economic leadership of the country...is very high caliber,” he observed, “and has been sufficiently demonstrative in the crisis and have been very good at calibrated event management in a way that doesn’t rock the boat.”

Jean-Joel Schittecatte agreed with Shapiro that both domestic and foreign investors face the same hurdles and there is no bias against non-Indian investment. Rather, he said, the focus should be on capturing India’s “incredibly huge potential,” which means taking certain measures: “We probably should open the internal Indian market more to make it a complete global market in India, which implies some technology, infrastructure and regulatory measures that must be done and which implies developing the consumer sector. And we need better integration into the world economy.”

Sridhar maintained – and the panel agreed – that “One of the biggest issues for our banks is: how do you reach the unbanked? It will be a watershed for Indian banking and will change the face of Indian banking. Only 50% of the country is banked now. Imagine the potential that is there.”

According to Sridhar, the banks were playing catch up to other industries in terms of capturing new domestic markets. After all, he said, India has more mobile phones than bank accounts. Apart from the very low income sector, however, the banks have now caught up and have expanded without compromising their commercial viability. This means “they are now ready to continue into the unbanked. And they can only do that with technology. And they need SWIFT in order to reach the unbanked and to provide better services.”

Regulation is important, too, said Shapiro. In the past, he noted, “India has been very driven by regulators in terms of product development, which is fairly unusual but [makes sense] because it comes from a tradition of managing development. I think India has to move more to looking to the market to drive new products and I think they are opening up to that.”



^ Jean-Joel Schittecatte, Consul General, Consulate of Belgium



The promise of mutual funds: How it can be realised

Charles Legrand, Head of South Asia, SWIFT, said that this industry sector was highlighted during the Business Forum because “it is a key market in India and SWIFT’s solutions mirror the needs and aspirations of the client base by addressing the challenges of automated processing.”

P.S. Deepa, Associate Director, KPMG Advisory Services, characterised the Indian mutual funds industry as one that has seen steady growth in assets under management – up 43% over the last five years – but that still has much room for penetration. Mutual funds play only a limited role in household financial savings (about 7.7%) and the AUM to GDP ratio is just 11 percent. Industry AUM is expected to grow at 22-25% in the next six years.

Competition in the sector is intense, according to Deepa, with 39 players now active and 24 in the pipeline. Concentration is increasing, however, with the top five players holding 58% of the market in October 2009, up from 49% in September.

Declining profitability is another feature of the market, which she attributed to staff costs due to the highly-manual intervention required.

Looking to the future, Deepa predicted increasing participation of the retail investor market, with the expectation that it could take on 46% of the market. In order to accomplish this, she called for easing cross-border transactions both for foreign nationals investing in India as well as for overseas investments by resident Indians. She also suggested promoting the use of alternate channels for fund investing, including via mobile phones, the internet and other existing set ups such as ATM networks.

Overall, she said that “players need to focus on optimising time and operational

costs, while enhancing the quality of service and advice” if the sector is to realise its potential and reach out to this important retail investor market.

Dr. A.P Kurian, Chairman of the Association of Mutual Funds in India (AMFI), started with a disclaimer: “Mutual funds don’t promise anything... the law prohibits us from promising... so today we will be talking about the aspirations of the mutual funds industry.”

He continued that “right from the beginning of this industry, the banks have been part of this system...it’s only through the banking channel that all the transactions pass through. We don’t accept cash or deal in cash.. so the banks are part of it.” In fact, banks began distributing as well back in 1995-1996, and now most of the public sector accounts and some 125 banks are registered with AMFI for distribution. “So banks do play an integral part of the operations and in supporting the integrity of the system.”

Deepa agreed that “banks will play a role and increasingly in helping with clearing and settlement and automation moving forward.”

When asked about the unified trading platform technology update that AMFI is putting together for the industry in India, Kurian replied that it is “work in progress: A committee of senior executives have been working on it and the architecture and the design are frozen. Now the mechanics and operating parts are being launched. We hope that by March we should be able to

offer this platform, subject to regulatory clearances.”

Deepa added that for the further development of the industry, it’s needed that SWIFT become involved in the definition of standards. “It’s very important for the industry to come together and define standards... [which is] something SWIFT can do by leveraging your experience in other countries.”

Both panelists also agreed that development of the retail market should be a major focus of this industry, particularly in the area of financial education. “It takes time, in a country like ours, where financial literacy is so low...to participate in a market that promises nothing... so a lot of work is needed,” concluded Kurian.



▲ Dr. A.P Kurian, Chairman of the Association of Mutual Funds in India



▲ P.S. Deepa, Associate Director, KPMG Advisory Services



Breakout sessions

During the **“Introduction to SWIFT”** breakout session, SWIFT experts presented an essential guide to SWIFT: its system, its standards, the possibilities of the SWIFTNet platform, the value of the SWIFT solutions, and the key components that make up payments and securities clearing systems.

According to Rajshree Shishodia, Relationship Manager, India and Sub-continent, SWIFT was formed more than 35 years ago by 239 banks in 15 countries. Today, meeting the operational requirements of customers remains a core focus as SWIFT continues to evolve.

SWIFT Training - Our Knowledge, your solution

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SWIFT solutions presented

SWIFT's Bulk Payments solution provides a harmonised platform to transfer bulk payments across national and regional communities.

SWIFT's solution for Workers' Remittances is designed to support banks' needs for bilateral clearing and settlement of cross-border, person-to-person payments.

Accord for Treasury helps enable real-time matching and exception handling for foreign exchange, money market and derivative confirmations.

Cash Reporting supports customers' real-time account information needs. SWIFT responds to your needs with two intraday cash reporting solutions that enable you to identify liquidity; one is based on FIN messages, the other on XML standards.

SWIFT's solution for Exceptions and Investigations supports the automation of all your payment-related enquiries, whether you are a financial institution or a corporate.

Trade Services Utility helps banks meet the supply chain challenge by providing a collaborative centralised matching utility.

SWIFT for corporates enables corporates to exchange financial information (payments, securities orders, reporting) with all their financial institutions through one highly secure, standardised communication platform, as opposed to multiple connections.



Presenters of Introduction to SWIFT. From left, Rajshree Shishodia and Zelda Anthony.



Matteo Rizzi, Innovation Manager, SWIFT. Sharing insights on the collaborative features of swiftcommunity.net.



Newcomers of SWIFT asking questions in the session



During the **“Technology & Interfaces workshop,”**

Dilip Oak, General Manager, Operations and Trading, Bombay Stock Exchange, provided a detailed summary of the processes involved and the flow of information at the Bombay Stock Exchange (BSE) and explained changes that are taking place at the BSE such as consolidation, standardisation and increase in uniform announcements.

Take-up of SWIFT is therefore important for the BSE, he emphasised: “The SWIFT and BSE tie-up is for the public at large and for their benefit, to disseminate information effectively in a structured, disciplined format that will be accepted worldwide.” The BSE is hosting SWIFT servers and hardware at the BSE itself, which will enable data to be entered online as and when available.

The Bombay Stock Exchange has taken on SWIFT’s Corporate Actions solution, and Oak remarked that “BSE’s tie up with SWIFT will help achieve a global standard for corporate action systems, decrease manual entry costs and improve processing timelines, to name a few [benefits].”

Ashish Banerjee, Technologist at SUN, provided an overview of the hardware, software and other platforms that Sun provides to SWIFT for their products and described how SWIFT and Sun play key roles in Enterprise Service Businesses (ESB’s). “Open Suite SWIFT solutions support a variety of solutions such as Solaris, Spark, Windows, etc., making it extremely compatible,” he concluded.

Patrick Yeh, Head of Sales Services, Asia Pacific, SWIFT provided insights on the existing and new products that SWIFT has been creating for its customers, focusing particularly on Alliance Lite, SWIFT’s low-cost easy connectivity option for users with smaller volumes over SWIFT, as well as Alliance Access 6.3, which introduces new functionality such as data base recovery and the Integrator add-on for better interface integration.

Yeh also announced that all systems will be required to switch to 7.0 soon, noting “We expect that the SWIFT 7.0 migration will take place by 2011, and we will do our best to make this migration as simple as possible, with no additional charges and including a rebate for the changes.”

The panel on **“Global trends in cash management for corporates and banks”** discussed the future trends and key drivers in the cash management industry.

K. Ganesh, Vice President at Dr. Reddy’s, which manufactures generic pharmaceuticals in locations across Europe, Asia and the Americas, talked about the challenges facing corporations with complex treasury operations. First, he referred to the challenge of shifting a corporate’s bank office processes from one bank to another. During the recent credit crunch, he said, even when he could find a bank willing to offer a credit facility, he could not necessarily change his processes to accommodate their systems and requirements.



A Dilip Oak, General Manager, Operations and Trading, Bombay Stock Exchange



A Ashish Banerjee, Technologist, SUN



A Hosting the Technology and interfaces session, Patrick Yeh, Head of Sales Services, Asia Pacific, SWIFT.





From left: Franck de Praetere, Head of South East Asia, SWIFT. Robert Blair, Executive Director - Core Cash Mgmt, Treasury Services, J.P. Morgan. K. Ganesh, Vice President, Dr. Reddy's



K. Ganesh, Vice President, Dr. Reddy's



Lots of questions from the audiences as corporate connectivity is a key topic for this market



Innotribe at the Mumbai business forum

Ganesh also said it is difficult for global corporations to deal with a single bank. While some banks will take on their business in high-risk areas or sanction countries, they might not be able to offer services in other countries. Dealing with different regulatory requirements and tax regimes across geographies are further challenges, according to Ganesh. "External factors," he explained, "can limit your abilities to work with a single bank."

"Thanks to SWIFT," he said, his company has become more bank-neutral and therefore flexible, while relying on SWIFT's 'highly reliable and automated solution.' He challenged the industry, however, to find a way to make STP work across the entire supply chain, and also asked if SWIFT could offer a standardised file format for e-invoices.

Robert Blair, Executive Director - Core Cash Management, Treasury Services, J.P. Morgan, described SWIFT's corporate offering as thus: "it offers for corporations what SWIFT offers for banks." According to Blair, "That's a proposition that most corporates would be interested in."

One way to achieve standardisation, said Blair, is "to give all your business to one bank." The other way, he said, is to use global standards. He admitted that "standards require a certain level of commitment" and are often more difficult to implement than a proprietary service, noting that "they require a lot of heavy lifting." Still, he remained adamant that they are the best investment for the industry to make, as is SWIFT for corporates.

Corporates can use SWIFT for many business functions, he explained, including to 'monitor accounts and obtain global visibility on cash by integrating statements into treasury systems; do financial risk management by executive and managing FX and moody market trades; and manage liquidity and pool cash company-wide."

"Corporates are not using SWIFT to fly from one bank to another," explained **Franck de Praetere**, Head of South East Asia, SWIFT, "it's about streamlining processes and efficiency." He described how SWIFT for corporates provides messaging, standards and applications across treasury and risk management, cash management, trade finance and exceptions and investigations.

At the **Innotribe Lab**, a small group of technologists and payment specialists from Indian institutions tackled the problem of how to reach India's unbanked millions by taking a close look at the eMe project that won the innovation award at this year's Sibos in Hong Kong.

eMe is a digital vault able to gather and safeguard personal and financial information of individuals and corporations. Financial applications could use the vault to streamline and ease some of the business processes that require identity management as well as to bridge transaction-based services in a more performing way. "In other words," explained SWIFT innovation manager Matteo Rizzi, "it's a standardized reference point onto which banks can build their own value-added services, much like SWIFT operates in general."

The group in Mumbai looked at how eMe could be an enabler of new ways to manage workers remittances transactions by coupling it with a mobile device. Participants agreed that this was a high-potential space for the service in India, with its vast unbanked millions who already have mobile phones. They discussed ways to address identification issues



around connecting mobile phone users to banks for accessing the eMe vaults and agreed to work together to put together concrete ideas in the new Innovation space on Innotribe.com for further industry collaboration.

Worker remittances was the focus of the second **payments session** during the afternoon. **Sachin Khandelwal**, Senior General Manager, ICICI Bank, said that there are 40 large sending countries and 70 significant receiving countries globally for remittances and for many of those receiving countries, the remittances make up a significant proportion of GDP. While the market is expected to remain flat in 2009 compared to the growth shown in 2008, banks are looking closely at opportunities. The biggest challenge, he said, is regulatory intervention as well as the role of the mobile sector, which could handle 10-20 percent of the global remittances business within the next five years.

“Standardisation is key,” he added, because of the fragmentation of the market, and the pressure is there to improve system efficiencies and lower transaction costs for customers who are increasingly sophisticated about this service. For this reason, he warned, banks need to be more customer-centric, with better profiles of the customers and their needs.

Patrick de Courcy, Head of Markets & Solutions, Asia Pacific, SWIFT, agreed that workers remittances will benefit from standardisation and common rules such as SWIFT can provide, which will enable the banking sector to capture a higher share of this market.

Rajshree Shishodia, Relationship Manager, India and Sub-continent, SWIFT also described SWIFT’s Exceptions and Investigations solution, which allows banks to perfectly automate their enquiries processes by providing a strict business and communication protocol.

During the **securities and funds workshop**, **Ashok Suvarna**, Chief Operating Officer, Birla Sunlife, talked about the Indian mutual funds industry, where India has one of the fastest growing markets. The total Assets Under Management (AUM) industry has a growth of less than 5% of GDP, according to Suvarna, “and so we see a lot of opportunity to expand as an industry.” Birla Sunlife is currently working on a pilot project with SWIFT to use Alliance Lite to help automate processes with banks “in order to achieve standardisation of formats as well as reduce management and operational risk.”

According to **V. Ganesh**, Country Head of Karvy, “The Indian mutual funds industry is witnessing a rapid growth as a result of infrastructural development, increase in personal financial assets and rise in foreign participation. It is becoming a preferred investment option compared to other investment vehicles liked Fixed Deposits (FDs) and postal savings. This is a result of increasing awareness, growing risk appetite and rising income amongst the Indian population. This new trend has led to a 100% growth in the last six years and has opened doors for foreign AMC’s in Indian markets.

Ganesh said that “the way forward is for the industry to adopt easy-to-use and time-tested technologies and it must introduce standard messaging systems and protocols for seamless and instantaneous two-way



▲ Sachin Khandelwal, Senior General Manager, ICICI Bank



▲ Ashok Suvarna, Chief Operating Officer, Birla Sunlife



▲ V. Ganesh, Country Head, Karvy



▲ Abhijit Pai, Manager Information Products, Bombay Stock Exchange



▲ Ravi Subramanian, Relationship Manager of SWIFT India and Subcontinent, hosting the Securities and funds workshop



transaction flows. These can be achieved by establishing messaging standards like SWIFT/ISO.” He also said that products from SWIFT could help the industry to scale at reduced risk and cost with an established network.

“Processing of corporate actions is complex, since there are more than 30 corporate event types, and an event may dictate a mandatory action or offer voluntary participation, with multiple options,” said **Abhijit Pai**, Head – Product Strategy, Bombay Stock Exchange. “With the tie-up between SWIFT and BSE, we will now have the ability to get up to 80 updates per minute and receive data at an increased rate of 30%-35%... Our tie up with SWIFT will help us achieve a global standard for corporate action dissemination which will reduce costs and risks in a historically manual, error-prone area. It will also help improve processing timelines.”

M. Venkateswaran, Vice President, Cross Border Operations, Custody and Clearing at HSBC, agreed that “the relationship between SWIFT, BSE and HSBC is fantastic. Getting information directly makes it safe, especially in decreased time and getting information every hour, which would be fantastic for our clients.”

In fact, he exclaimed “SWIFT is our big daddy: we breathe through SWIFT and we receive 14 million messages everyday around 9095 users around the world. SWIFT supports us in proxy voting, corporate actions, collateral management, securities reporting, pre-and-post trade messages and data distribution...We have been able to handle any number of message volumes because SWIFT is reliable and quick.”

Ravi Subramanian, Relationship Manager, India and Sub-continent, SWIFT, agreed that SWIFT could play various roles in the securities industry, especially within the mutual funds industry where it could play the role of standards providing body. He said that SWIFT is also looking at playing an important role with the custodians as well in the post trade area, where today SWIFT is not in use in India.



M Venkateswaran, Vice President, Cross Border Operations, Custody and Clearing, HSBC



Sister Sneha (first left) and her team welcomes SWIFT at the St. Catherine’s Home the day after the Mumbai business forum

Giving back to the community

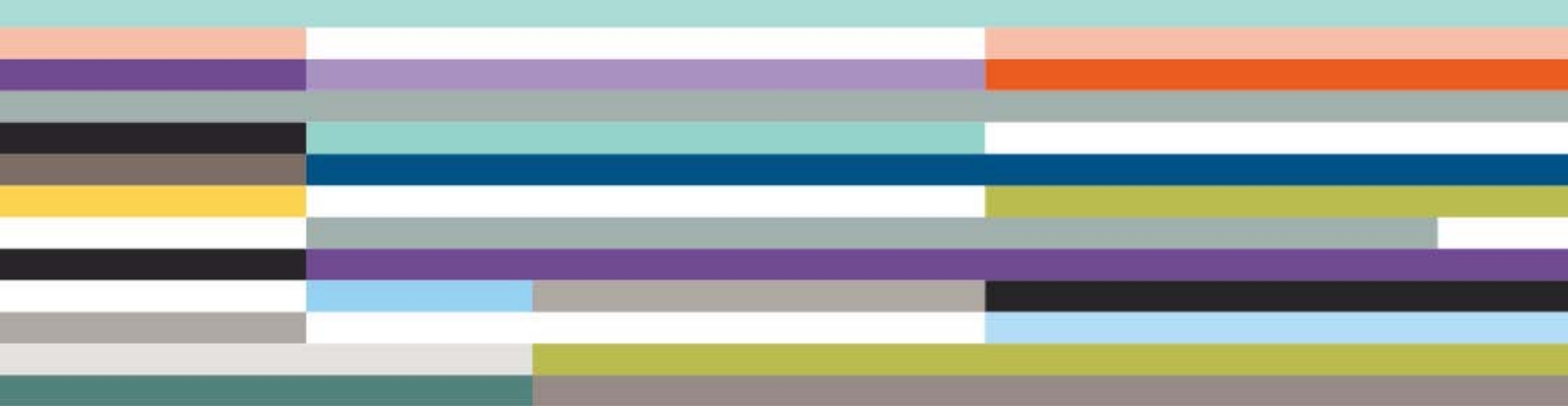
SWIFT is proud to support St Catherine’s Home in Mumbai for the fourth year in a row. St Catherine’s Home is well-known for its philanthropic activities and is the home of more than 400 girls from newborns to age 18. While in Mumbai for the Business Forum Ian Johnston and the SWIFT Asia Pacific Communications team went to visit the premises and meet the sisters who are devoted to the children in their care. “We were impressed with how happy and healthy the girls were and how thanks to this institution they are prepared for productive lives,” says Ian. “In addition to our traditional financial donation (of EUR 5,000) we also donated some material and the desks that we used during the Business Forum,” explains Beth Smits, Head of Communications.

Please contact Arun Tiwari if you or your organisation would like to join in supporting St. Catherine’s Home.

Greening the Business Forum

SWIFT is committed to reduce its impact on the environment. “This year, a series of initiatives were introduced at the Business Forum to make sure we reduce, reuse and recycle as much as possible,” says Sandra Gavard, Communications Manager. “We worked closely with the venue to ensure that wastes were sorted and disposed in an environmentally-responsible banner. We also decided not to print badges for delegates, asking them instead to put their business cards in the name tags so that we could reuse the holders again later and save paper, as well as speed up the registration process.”

In addition, rather than build a display stand, the SWIFT presence in the exhibition area stand was made of two desks that were donated to St Catherine’s Home to be reused by the charity. “We recognise that these are first steps, and we are looking forward to continuing our efforts to make our events as ‘green’ as possible,” says Jaime Lee, Events Manager. If you have ideas about how we can do more, please share them in the “Greening Sibos” community on swiftcommunity.net/greeningsibos.



More information on
www.swift.com

To join the community debate
visit www.swiftcommunity.net

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