



SWIFT business forums 2008

Australia report

June 2008

Australia contacts

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Fast facts

Australia
27-29 May

Delegates:

Melbourne: 122
 Sydney: 201

SWIFT partners:

- CityNetworks
- Decillion Solutions Group
- Microsoft
- Smartstream Technologies
- Sterling Commerce
- SIDE International

Traffic:

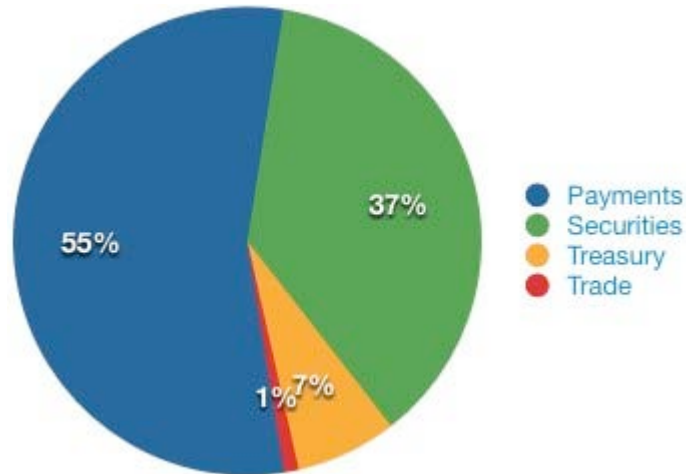
- 622,781,628 messages (YTD 2008)
- Average daily traffic: 15,006,786
- 22.20% growth YTD

Live customers: 8,385

Australia's role strengthened in the global financial services sector through harmonisation in Asia and best use of technologies

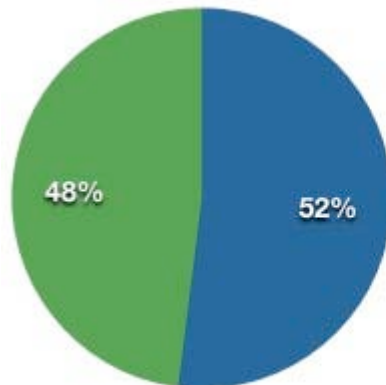
The economies and financial markets of Asia Pacific are gaining critical global importance in an increasingly volatile economic environment. There is a definite shift from the West to the East. In an analysis of SWIFT financial messages, Australia increased outbound transactions messages by 32.7% while inbound traffic into Australia grew by 26.2%. Growth in other Asia markets was similarly strong. Japan and Australia accounted for 5.1% of total transaction messages sent globally in Q1, 2008. Over the corresponding period, Japan Australia and Hong Kong were responsible for 5.7% of messages received.

Australia - Traffic by market (sent and received)

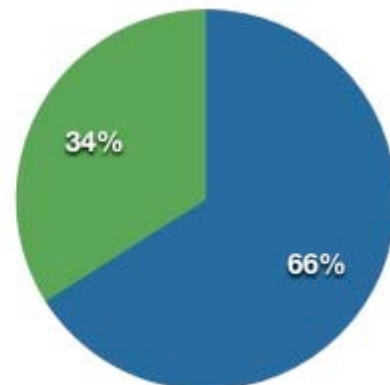


Australia - National vs Foreign Institutions

Share of Traffic Received



Share of Traffic Sent



● National ● Foreign





Participants (from left to right): Paul Travers, Chief Operating Officer, Oakvale Capital Limited, David Cavanagh, Vice President, Financial Institutions, Bank of America

Against this background, financial industry decision makers are asking if this growth in Asia can be sustained through the harmonisation of market practices throughout the region. Is the financial industry ready for continued growth? Will we see the consolidation of infrastructure on the scale seen in Europe and North America? Where are the Asia financial hubs of the future? Can Australia be one of them?

These issues were the focus of analysis and debate by 24 industry leaders at the annual SWIFT Business Forum hosted in Melbourne on 27 May and in Sydney on 29 May. The Forum attracted 122 delegates in Melbourne and 201 in Sydney confirming the status of the Business Forum in Australia's financial services industry calendar. Content and plenary session focus was designed to promote better understanding on how local and regional issues are bound by mutual interests. They were also designed to promote discussion on how the local financial industry can take advantage of technologies to exploit these interests. Delegates gained an insight into senior decision-maker thinking on developments shaping the future of securities, payments and financial market infrastructures. A key focus of discussion was how harmonisation in the financial services sector in Asia would create efficiencies in settlements, liquidity and reduced costs.



Joanne Pelling, Fixed Income Securities Operations, UBS AG and Tim Hamer, SWIFT

Low Value Payments (LVPs) drew keen interest. The views of Peter Gallagher from the Reserve Bank of Australia on same-day settlements of LVPs proved insightful.

Another issue attracting interest was the impact of nine leading participants in the SWIFTNet Funds market practice and pilot who have declared their commitment to going live with electronic messaging for funds transfers within 12 – 18 months. The declaration is considered a major breakthrough in the development of automated funds transactions in the Australian financial services sector. The adoption of SWIFTNet Funds as the industry standard based on SWIFT's ISO20022 compliant XML messaging was critical. Project leader, Nektarios Liolios, provided the Forum with a detailed overview on progress with the market practice and pilot as well as insights on the impact of automated messages on the Australian fund market, which will have global implications.

Earlier, SWIFT's Carlos Ugalde, provided an overview of the development of automating and processing confirmations on different asset classes. Later, James Bibby of SWIFT provided delegates with an overview of Alliance Lite. Launched later this year, Alliance Lite will provide a direct, secure, lightweight, low cost access to SWIFT messaging services. It will enable lower volume users with all the benefits of the SWIFT network at affordable costs.



Analysis at the Australia Business Forum

Keynote speakers at the Business Forum included Stanley Chan, Head of Financial Infrastructure Development, Hong Kong Monetary Authority. His presentation focused on the development of a multi-currency clearing system for Asia and developments in the Asia bond market. It also detailed the impact on Asia from Hong Kong's role as an international financial centre for China. He said Hong Kong's role had global implications: as a financial hub for China's ambitions to



David Cavanagh, Vice President,
Financial Institutions, Bank of America

invest in external markets, and a channel for investment into China. Chan outlined new areas of growth that also had implications for Asia markets: In particular, the development of Islamic finance where Hong Kong is providing a platform for international intermediation and creation of opportunities for other Asia markets. He assessed critical issues for Hong Kong being the need to modernise payment and settlement systems that could reduce costs and promote greater efficiencies. In his view, improved harmonisation in financial services in Asia is needed to promote these efficiencies.

David Cavanagh, Vice President, Financial Institutions, Bank of America, outlined current global perspectives on payment transformation. He also provided a perspective on industry trends such as USD and EUR clearing, Single Euro Payments Area (SEPA), KYC and supply chain. Cavanagh felt that the financial industry needed to identify solutions that delivered value to customers and shareholders. He said the current environment for banks was being compromised by price compression, spiraling compliance costs, and commoditization.

Against this background, the need for innovation is vital. Taking up the issue of automated transaction messaging, Cavanagh said the reality was that paper based payments would remain in spite of the challenges of efficiency, high costs, and fraud. He outlined growing demand for better working capital solutions. He said 63% of companies managed global trade using paper and spreadsheets, and 54% did not measure global trade performance. He said a typical \$1bn company could free \$10 million - \$40 million in cash by improving basic trade processes. In particular, strategies and technologies were needed to shorten delivery times, improve regulation compliance, offer better shipment visibility, decrease inventory requirements, and enhance profitability.



Reviewing options for the future

The forum commenced with an overview on SWIFT in Australia and its growth as the 11th largest market for transaction messaging. The theme of automated transaction messages was keenly pursued in a funds panel discussion led by Tim Hamer. The Sydney panel comprised Robert Brown, chief executive officer, Ausmaq; Andrew Neudegg, Head of Operations, E*Trade Australia; and Peter Snodgrass, Head of Securities Services, HSBC Bank Australia. In Melbourne, Tim Hamer was joined by Jacqui Cincotta, Principal and Head of Investor Services, Vanguard Investments Australia; Anthony Gale Head of Unit Registry Services at Australia Bank Custodian Services; and, Warwick Angus, Director of Global Business Development & Funds Services, Computershare Limited.



This year's Business Forum hosted in
Melbourne and Sydney attracted 323
delegates

Andrew Neudegg led the Sydney debate by outlining his view that the funds management sector needed to take an industry focus on the efficiencies that can be gained through automation. He outlined an example where 16 people could be devoted to processing 100 - 200 daily faxes and written instructions, which were often subject to misinterpretation and human error, whereas 5 people could process 2,000 - 3,000 equities transactions. Peter Snodgrass was of a similar view. He outlined how a 2-3 day lag in back office operations created through paper-based instructions could be significantly reduced through end-to-end automated solutions. Rob Brown called



Panelists (from left to right): Ian Johnston (SWIFT), Stanley Chan (HKMA), Linda McLaughlin-Moore (JPMorgan), Lynn Matthews (CLS Services), Peter Snodgrass (HSBC)

this reliance on paperwork a “fax and pray” approach. Neudegg said it was made worse with staff having to complete administration tasks such as checking details and telephoning clients to advise them that the material had arrived by fax. Delegates pressed the panel on when they would go live with automated transactions. Brown said his company had senior management support for its introduction in Q4 this year. Snodgrass said HSBC was working through the standards involved but planned to go live by Q3 this year.

It was agreed that ISO 20022 promoted acceptance of automated transactions due to its rich features that created opportunities to promote higher productivity. The panel was of the view that the professional processing firms were aware of SWIFTNet Funds and that SWIFT was a key enabler in the automated funds transaction area. Smaller fund managers would not want to be left out of the industry shift toward automation. Companies on the sidelines at present would be compelled to move with the industry. Also, expected growing trade volumes would drive change. Australia was currently fourth globally and by 2010 would be second only to the US.

Peter Gallagher from the Reserve Bank of Australia, provided an overview on same-day settlements of Low-Value Payments. He said concerns were being felt about settlement risk but the SWIFT solution provided a platform that could meet current needs. He reinforced views on the high suitability of the SWIFT platform for managing Low-Value Payments.



Zelda Anthony, Regional Manager, SWIFT Australia

Paul Travers, Chief Operating Officer from Oakvale Capital provided the Forum with a perspective on the issues facing corporates for payments and treasury processing. Critical areas of risk for treasury were: interest rates, currency, liquidity, and operational issues. In his view, understanding and managing treasury risks were essential in meeting formal and operational obligations. He outlined key areas that could assist the risk management function in Treasury: businesses placing their exposure/requirements into the one system which captured and processed all their financial market transactions; payments processed and actioned by the one system; bank accounts being reconciled and confirmations matched versus transactions completed in the one system; accounting results being generated and automatically transferred to the general ledger by the one system.

Travers felt that straight through processing via a single gateway using SWIFTNet was a perfect solution in managing corporate risk with payment and treasury processing. This ‘perfect’ system would improve settlement and confirmation processes, better handle volumes of deal settlements, and improve compliance and security in the settlement process. He felt the opportunity provided by SWIFT would provide process improvement by releasing resources, reducing operational risks, and reducing banking costs.

Australia well positioned for stronger regional role

A highlight was the panel discussion on Australia’s role in Asia-Pacific. Providing a highly experienced perspective, the panel



Questions from the Business Forum



Seeking answers from the Business Forum

comprised Stanley Chan from the Hong Kong Monetary Authority, Ian Johnston, Head of Asia Pacific, SWIFT; Lynn Mathews, CLS Services Representative for Asia and Latin America; Linda McLaughlin-Moore, Managing Director, Regional Product & Delivery Head, JP Morgan; and Peter Snodgrass, Head of Securities Services, HSBC Bank Australia.

They felt stronger systems; structure and knowledge could be improved through harmonisation with Asia. Real growth was underway – from 15% to 18% in GNP growth during the past five years. Stanley Chan felt that the Region could have more than one financial centre. Hong Kong is in a strong position due to its role as a hub for outbound and inbound investment monies for China. He felt a country needed to be able to attract the funds needed to be a financial hub. Tokyo is strong in bonds and capital markets; Sydney is strong in treasury and funds. Australia was geographically isolated but it has a history of good banking and performance. Snodgrass said there not a lot of cross border fund transactions in the funds area but Australia was a good haven for funds, which would continue when there were problems in other parts of the region. However, he felt that outsourcing jobs to countries outside the region would be a negative for Australia's quest to be a financial hub.



SWIFTNet Funds Panelists (from left to right): Tim Hamer (SWIFT), Robert Brown (Ausmaq), Andrew Neudegg (E*Trade Australia) Peter Snodgrass (HSBC)

The Australian funds sector could be promoted by opening up cross-border transactions and exploiting its talent as advisers and counselors. It was felt that Australia's tax regime did not encourage cross-border transaction competition. Snodgrass said that moves were underway to change the system but it would take time. Against this background the industry globally was consolidating by as much as 30% creating opportunities and challenges. Innovation was a catchcry in this competitive environment.

India and China were seen as key regional growth markets. Stanley Chan felt that Japan would remain strong and Singapore or Australia could make up fourth financial centre. Other markets to watch were the UAE as well as Korea. Malaysia and Indonesia, which were seen as countries with the potential to outpace the growth being experienced in more mature Asia funds markets. Snodgrass saw Japan remaining a key market. It is the largest SWIFT country with 100 million messages compared to 60 million for Australia. A single potential customer in the Japan market is generating 1.2 billion messages.

Ian Johnston raised a question about CLS services opening up to other Asia currencies. Lynn Mathews said it was possible that Malaysia could meet the eligibility for entry into CLS. However, it would still face challenges. Standards remained a key issue in the Region. Linda McLaughlin-Moore said that regulations needed to apply to the new players such as Paypal as much they did for the more established players. This would encourage competition.



Active analysis at the Business Forum

Ian Johnston questioned the panel on Australia's importance in Asia funds markets. He asked whether it was something that could be achieved co-operatively or would it require individual company performance. It was felt that a collective approach could make changes better and faster. How then to improve the fund industry in

SWIFT links

- [SWIFT Solutions](#)
- [SWIFT Partners](#)
- [Sibos 2008](#)

APAC? Interoperability was an area where SWIFT could assist i.e. AFIC settlements, equities, bonds, derivatives. Australia's work in the Low Value Payments area and the outcome of the SWIFTNet Funds project could have major impacts globally. Tax incentives to promote innovation and growth were another area that could be improved as was harmonisation and standards to be used to bring other countries into the larger competitive financial market.

Upcoming SWIFT business forums in the region

- Tokyo – 3-4 July 2008
- Seoul – 16-17 July 2008
- Mumbai – 18-19 November 2008

More information at www.swift.com/conferences

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