

# Banks

on SWIFT



THE VALUE OF SWIFT TO BANKS

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**Getting to grips with liquidity risk**

page 7



**Automating the exceptions**

pages 3 & 4



**Extending your reach**



**Enhance your international service offering and boost your efficiency**

pages 5 & 6



**Bringing safety and speed to workers' remittances**

pages 8 & 9

**Welcome**

Welcome to the launch issue of *Banks on SWIFT*.

**W**elcome to the launch issue of *Banks on SWIFT*. “Banks on SWIFT...what could be more obvious?” you might think, given that SWIFT was set up by banks over 30 years ago. But the purpose of this newsletter is twofold: to introduce SWIFT to those segments of the banking community that may up to now have felt their volumes did not warrant direct membership; and to set out the value that SWIFT can bring to our existing banking customers beyond the benefits they already enjoy.

This involves to some extent a mutual rethinking of our relationship, not only with the broader banking community, but with individual members. Think of a bank as a house. Until fairly recently, SWIFT was seen as somehow related to the plumbing. Its activities were understood only by those responsible for building maintenance. Since then, we have emerged from the basement. Those managing a bank’s relationships with corporates and investment managers, for example, have come to appreciate the value that SWIFT can add to their customer relationships.

There are, however, other areas of bank activity where SWIFT can enhance both the bank’s own operations and the experience of its customers. This launch issue of *Banks on SWIFT* focuses on four such areas. First is the value to smaller institutions of joining SWIFT. Whether the motivation is to better handle customer payments, to gain a comprehensive and timely view of its cash position or to be visible and accessible to a broader range



Wim Raymaekers, head of banking market, SWIFT

of counterparties, SWIFT can help smaller banks with cost-effective connectivity options and access to a range of robust solutions. We explore the reasons why Public Savings Bank in Pennsylvania took the SWIFT route.

The second area is operational efficiency. The drive to save cost through greater automation and standardisation has been accelerated as a result of the global economic turmoil. In this issue we discuss with Frank Behlmer, COO, operations, Bank of New York Mellon how the manually intensive process of

handling exceptions and investigations can be improved (See page 3).

We also explore how we are reaching into the customer-facing areas within the banks to help enhance the experience of their retail customers; in particular workers abroad looking to remit funds to family and friends in their home countries. This is a business that La Caixa in Spain has developed very successfully (page 8).

Last but not least, SWIFT is exploring how to evolve its offering in liquidity and risk management. We look forward to your opinions and views.

We hope you enjoy this first edition and welcome your feedback. Please feel free to email us at: [swiftforbanks@swift.com](mailto:swiftforbanks@swift.com) or join the dialogue online at: [www.swiftcommunity.net/BanksOnSWIFT](http://www.swiftcommunity.net/BanksOnSWIFT)

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# Automating the exceptions

Bank of New York Mellon was one of the pioneers in the development testing and live use of SWIFT's Exceptions and Investigations solution. Frank Behlmer, executive vice president and chief operating officer – bank operations, BNY Mellon, spoke to *Banks on SWIFT* about the benefits of the initiative.



Frank Behlmer, executive vice president, BNY Mellon

**Why have you been such a strong advocate of SWIFT's involvement in payment enquiries? Does the way you handle them not depend on your own service expertise?**

Up to a point, but if you need to send a query on to another bank that's handling a payment, we can't transfer our own competence to that institution. We felt that the industry needed to recognise the importance of being able to handle a customer query or investigation all the way down the payment chain. In reality, from a customer perspective, the quality of service from the rest of the chain reflects on us. SWIFT's Exceptions and Investigations offering (E&I) will allow the industry to come together and take care of our clients all the way through the payment chain.

**That suggests a need for all your counterparties to be on board. As an early adopter, how has the process of bringing your counterparties on to Exceptions and Investigations been going?**

It was slow initially, but in this past year many counterparties have been evaluating Exceptions and Investigations and building a business case around it. We're getting a lot more banks joining, not only as pilots, but as live users.

We've seen some Chinese banks as well as some of the larger US banks going through the pilot phase and into production. Part of the reason is that SWIFT has been able to offer cost-effective solutions for banks to get on to Exceptions and Investigations. In the past, banks may

have felt that they needed a large volume of customer service enquiries to justify the upfront investment of buying or developing a case management application, but this is no longer an issue. SWIFT has been very creative in working with different vendors to allow lower volume users to access the new service cost-effectively.

Banks are also recognising its competitive benefits. Customers are asking, are you E&I capable?

**In practical terms, E&I by definition involves transactions that have fallen out of an automated system because there's a problem with them. How ambitious can you be in automating the process once an exception arises?**

Before any money was spent, there was a group of banks that developed a business case for automating payment enquiries. They evaluated the most common types of investigations that we use globally and that everyone's familiar with. A modelling group with global representation was formed – of which we were a member – and we identified four cases of investigation that are common in the industry. We felt that if we could get these four types of investigations automated, there would be great benefit to

**Banks are recognising the competitive benefits [of an E&I offering]. Customers are asking, are you E&I capable?**

*Frank Behlmer, executive vice president, BNY Mellon*

the industry, since that's where most of the volume was concentrated.

Those four query types have already been structured and formatted and are available. We are the first US bank to go live with E&I and our system is capable of receiving all 16 messages related to these query types. It will of course take some time for a majority of other banks to join, but the solution is gaining good traction and the benefits are being recognised.

The quality of service that we provide to our clients will be greatly improved. Ultimately we want the beneficiary and the originator of a wire transfer to get a quick response in the event of any query arising. If you're on E&I and the other banks in the chain are too, you're going to get an immediate acknowledgement back for any query along with a reference number. So one clear benefit will be customer satisfaction.

A second very tangible benefit is reduced cost. Our payment operations, for example, used to have three payment people to one customer service representative. In the past 15 years, payments have been structured and formatted and have become so highly formatted that many banks have achieved a greater than 80% straight-through processing (STP) rate. They've cut down the number of staff they have to assign to payments operations and today's ratio is just the reverse: we have one payment operator to three customer service representatives. We expect to achieve the same benefits with E&I.

We've taken a leading role in this initiative, using our experience to help other banks pilot with their customers. At the end of the day, it all comes down to how you handle your clients and E&I will help us all handle customer investigations much more efficiently. We feel very strongly that this is the way of the future.

## SWIFT's Exceptions and Investigations solution

How Exceptions and Investigations can lower costs and improve customer service.

**S**WIFT developed the Exceptions and Investigations solution (E&I) to ease an industry pain, explains Anne Sophie Walravens, product manager, Exceptions and Investigations, SWIFT. "In payments generally, the industry has reached high levels of automation, but this is almost completely lacking when it comes to investigations related to these payments, such as cancellations, modifications or where a bank is unable to process or reconcile a payment because information is missing or incorrect."

For large banks, enquiries can run to very high volumes requiring dedicated staff to deal with them. In addition, volumes of enquiries have recently been driven up by the need under regulations such as FATF 7 to provide more information than previously on the originators of payment instructions. "It's not uncommon in a major bank today to find hundreds of staff specifically dedicated to handling payment enquiries," says Walravens. These are traditionally done by phone, fax, email or by means of SWIFT's MT 199 and MT 299 'free format' messages, which effectively mean manual processing by anyone who receives them. This manual environment adds an element of risk to the enquiry process, both in terms of the potential impact on the banks' (and corporate customer's) respective cash positions and the lack of transparency for the end-customer about the status of the enquiry.

### Solution overview

SWIFT's Exceptions and Investigations solution helps to automate payment enquiries. It consists of four elements: XML standards, covering for the four main payment enquiry flows 'claim

non-receipt'; 'request to modify', 'request to cancel' and 'unable to apply'; a rule book; SWIFT's InterAct messaging service; and a SWIFT or third-party application. "There are now nine third party providers across the world that offer an E&I application of which seven have received a SWIFTReady label," says Walravens.

In order to make the solution accessible to an even broader range of budgets, SWIFT recently launched Easy E&I. This is a self-installable package provided by SWIFT that includes a case management application, a subscription to E&I and a free e-training licence for one year.

### Benefits

Automating payment enquiries not only saves on the bank's own processing costs by reducing the levels of resourcing required, but it also brings a reduction in correspondent invoicing. "Today, when banks process enquiries for one another, they often charge," says Walravens. With a larger community deploying E&I, users have announced that pricing will differentiate between automated and manual enquiries." The solution also eases the burden of coping with growing enquiry volumes from regulatory compliance without having to commit additional staff and it results in an improved customer experience. "Large corporates have been approaching us proactively," Walravens adds. "E&I sounds like a 'no-brainer' for them. No doubt banks offering E&I service, will have a competitive advantage as corporates tell us they will go with the first bank there." So far 110 banks have signed up for the solution, of which 13 are exchanging live E&I enquiries with counterparties. Several more are testing and will go live over the coming months.

## Extending your reach

Enhance your international service offering while boosting operational efficiency.



**S**WIFT is extending the benefits of membership to smaller financial institutions around the globe that, until recently, may have considered direct membership to be out of their price range. “We are addressing segments of the banking community that are not connected to SWIFT,” says Catherine Banneux, senior product manager, SWIFT. “In general, those are smaller institutions, since, among large banks, SWIFT’s market share is very high.”

What is the driver for these institutions to join SWIFT? As more of their customers extend their international activities, a bank’s service offering needs to evolve accordingly and with their own BIC code, banks can benefit from global visibility and reach.

In some cases, market infrastructure developments in the bank’s home market provide the trigger. SWIFT already provides connectivity to close to sixty High Value Payments Systems worldwide, while in a number of countries, low value payments market infrastructures are looking to replace their obsolete communication networks. In many cases, SWIFT is selected as the sole provider or one of the alternatives. This provides smaller size

institutions with an even more compelling business case to connect. Using SWIFT’s network and message standards instead of fax and telex will help them improve their operational efficiency, decrease the repair costs on their instruction messages and shorten their enquiry turnaround times.

The crisis post-Lehman has also highlighted the risk considerations involved in relying on a sole correspondent to handle all cross-border payments. While smaller institutions may continue to be extremely well-served by their existing provider, they want to manage their liquidity and operational risk. They see the benefits of having alternatives available that they can access directly in a cost-effective way in case of need.

Banneux stresses that the traditional view among smaller banks that SWIFT is “expensive and complicated” and therefore not for institutions below a minimum size is outdated. “There are different types of connectivity,” she says. “Alliance Lite, for example, provides an easy to use, secure and very cost-effective SWIFT connection to banks with low volumes of international transactions. It really is a packaged offer including all that a bank needs to connect to SWIFT for a very affordable monthly fee.

*Detailed information, including price options, product description, user documentation and a video tour, is available on: [www.swift.com/alliancelite](http://www.swift.com/alliancelite)*

**Alliance Lite provides an easy to use, secure and very cost-effective SWIFT connection to banks with low volumes of international transactions.**

*Catherine Banneux,  
senior product manager, SWIFT*

## Public Savings Bank joins SWIFT

The SWIFT platform will enhance the bank's online offering to corporate customers while boosting the operational efficiency of its core payment processes.



Jack Miller, CEO, Public Savings Bank

**J**ack Miller, CEO, Public Savings Bank (PSB) is upbeat about his bank's recent announcement that it has joined the SWIFT community. "We're set up and we're about to kick off," he says.

PSB is an FDIC insured bank, founded in 1926. Its corporate office is located in Huntingdon Valley, Pennsylvania but it is active across the US as a provider of global wire transfer services, commercial banking, small business lending and consumer-friendly secured credit cards.

A growing foreign wire transfer business – involving electronic international payments – provided the initial impetus for PSB's decision to join SWIFT. "We are keen to grow the business even further and in fact had requests from customers," says Miller. "This investment supports our commitment to businesses that require global flexibility in transferring money virtually anywhere in the world. Being on SWIFT should make it easier for us and more conducive for clients to use us." In addition, Miller notes the opportunities to develop relationships with SWIFT's 8,830 global membership base, expanding the bank's counterparty base. Using SWIFT

will enable it to streamline transaction processing with these counterparties leading to fewer repairs or exceptions.

PSB has opted for Alliance Lite, the browser based connectivity option, to connect to SWIFT and sees this as part of a broader technology and service upgrade for the bank as a whole. "The roll-out we're planning will include SWIFT capabilities, enhanced website functionality and a dedicated marketing drive," says Miller.

"In October, we did just over 1,400 wires, around 10% of which were international. That's growing every month. We now have business development officers that are specifically going after customers who need wire transfers."

Miller sees huge potential in an integrated offering. "Aside from the foreign wires, we

offer a few bells and whistles that, believe it or not, some of the bigger banks don't," he says. "Most banks, for example, cut off their wire transfers at 15:00 East Coast time. We'll go up to 17:30, because we can communicate the transaction to the Fed up until 18:00." He points to other services such as wire notification emails, the ability to access the platform in Spanish and a competitive fee schedule as a winning combination for business growth.

In addition, he says, the bank plans to couple the wire transfer business with FX transactions, so that customers can send foreign wires in currencies other than the US dollar. "We want to be a one-stop shop for all companies that need wire transfers," he says. "We see SWIFT as an integral part of our value added platform."

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*Jack Miller, CEO,  
Public Savings Bank*

## Getting to grips with liquidity risk

Many banks are now looking to obtain an enterprise-wide view on liquidity and to enhance their liquidity risk management. How can SWIFT help?

Until recently, liquidity took a back seat to market, credit and operational risk. The credit crisis has, however, brought the issue of liquidity and its management to the fore. Indeed, a 'tsunami' of additional regulation is expected to come into effect in 2010, on a local and international level. For instance, the 'Principles for Sound Liquidity Risk Management Supervision' of the Basel Committee on Banking Supervision require banks to actively manage their intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis.

Banks across the globe are realising that their ability to deal with liquidity challenges is hampered by poor liquidity management tools. This was confirmed by a SWIFT / IBM survey of 1,200 business and technology executives at more than 600 institutions in September 2009: "banks are investing in IT to improve risk management and adjusting the governance model – in particular the identification and management of liquidity risk."

SWIFT has a range of reporting messages that enable banks to identify cash held at accounts with correspondent banks or positions at market infrastructures. End of day statements, typically used by

accounting departments, are available through FIN messages MT 940 and MT 950. To assist treasury management in obtaining intra-day views on balances, banks use the FIN messages MT 900, 910, 941 and 942. These reports are now available in MX formats as well.

Information contained in these reports, together with data from internal systems, is fed into application software. Banks using such software for cash pooling, reconciliation and intra-day positions are now looking to obtain an enterprise-wide view on liquidity, actively control payments flows and do short term forecasting. In addition, banks may be looking to develop or acquire additional software systems to perform liquidity risk management, calculate forward exposure, run stress test scenarios and identify periods at risk.

### Your opinion?

SWIFT is evaluating how to evolve its offering in liquidity management. We would like to receive your opinion about the following topics:

- 1 Standards: Do the current set of SWIFT messages cover your needs? Are you planning to use the MX versions to obtain more granular information? Are you looking for a common rulebook around service delivery SLAs?
- 2 Messaging: Are you looking to receive more frequent and intra-day reports? Do you collect liquidity information from each of your branches or do you see an opportunity to use FIN Inform to have reports received by your branches automatically copied to head-office for a consolidated view of cash held at accounts across the bank?
- 3 Software: Are you mainly running in-house developed applications for cash and liquidity management or should SWIFT extend the number of SWIFTReady application vendors in this space? Would you buy such software from SWIFT - if SWIFT bundled its messaging services with liquidity management software?, Are you planning to build or acquire additional software for liquidity risk management?
- 4 Integration services: When looking to integrate data feeds from various internal applications with information received from the outside world into your liquidity application, are you mainly relying on internal IT staff, external providers or would you see a role for SWIFT professional services?

We look forward to receiving your opinion and views via your SWIFT relationship manager or by e-mail to [swiftforbanks@swift.com](mailto:swiftforbanks@swift.com).

## The growing business of workers' remittances

Over the past few years, remittances by migrant workers to their home countries have been increasing in volume across the globe. These transactions are dominated by Money transmitter operators (MTOs). La Caixa, one of Spain's largest retail banks, has been successful in breaking into this market and has adopted SWIFT's Workers' Remittances solution to streamline the operations of its remittance corridors. Antonio Blanco Lopez, director, La Caixa, spoke to *Banks on SWIFT* about its promising new business line.



Antonio Blanco Lopez, director, La Caixa

### How did La Caixa get involved in the remittance business?

In Spain, large-scale immigration is a relatively recent phenomenon compared to UK or US. There was some in the 1990s, but it only became significant in the past decade. In 2001/2, we observed that we were attracting a large number of new customers from amongst the immigrant population, for traditional bank services, including, in some cases, credit transfers from account to account. In parallel, however, we saw that we had a lot of migrant workers who were not our customers were going into our branches – we have over 5000 branches and are the largest network in Spain – to deposit cash

into the accounts that we hold for a number of MTOs. With this proof of deposit, they would then go to the MTO and send the remittance. So we had the cash deposit, but not the subsequent transaction.

We realised we were missing out on something. At the same time, some of our partners in Latin America were encouraging us to work with them on servicing these cross-border cash payments. We set up our first corridor with one of our partners, Banco Bolivariano in Ecuador and after only three months of development, it was an incredible success. This was how we started.

### Are most of the remittances between Spain and Latin America?

In the beginning we started with Ecuador then we spread the model to other countries, initially in Latin America and then Morocco. Some 60% of remittances now go to Latin America, where the largest destinations are Ecuador and Bolivia. China and Morocco are now also major destinations.

### What percentage of remittances would you say are going to an account and what percentage to unbanked recipients?

I'd say that 90% of senders have an account. Once a migrant worker has been in Spain for six months or so, they need an account to receive their salary, pay direct debits, etc. But in the recipient countries, only around 25% of recipients are banked; maximum 30%. It depends on the country. In Latin America it may be less, in China and Eastern Europe more. In that case, we get the phone number of the unbanked recipient and we work with a call centre in the country of destination. The recipient can collect the funds from one of our partners. The partner then sends us a file with

One of the most important benefits [of SWIFT] is we need less time to implement and we have lower costs both in the messaging itself and in the back office.

Antonio Blanco Lopez, director, La Caixa

the status of the payment. Normally when the destination is an account, we don't need that feedback from the partner, because the transaction is automated.

### How active are MTOs in Spain?

They still have the largest market share. Where the senders are unbanked, they still tend to work with MTOs. But once the migrant becomes banked, then we are competitive with MTOs. Not only are our fees more competitive than MTOs, but we provide other banking services that MTOs don't provide, such as debit cards, current accounts, and direct debits. You can also do the remittances on the internet. In fact 50% are done either through ATMs or the internet.

Although the remittance fees were an initial attraction for us, we saw this business as a way of selling other services to these new customers. Remittances serve as an entry point to those.

### What are the operational benefits of using SWIFT for your remittance service?

Operationally, the benefits are clear. Adding a new bank, a new partner, a new corridor or a new country used to be a nightmare. Each bank had its own processes. One of the most important benefits is we need less time to implement and we have lower costs both in the messaging itself and in the back office. Once you have standards, you can optimise the back office.

### What about commercially?

We have a much shorter time to market. The whole process is now cheaper and easier. We can also serve new destinations where before the volume didn't warrant it. As the price of the solution continues to become more competitive, we expect these benefits to grow.

## Bringing safety and speed to workers' remittances

SWIFT's solution for workers' remittances allows banks to attract a new customer segment.



When workers abroad send money home to their families, they have traditionally used either informal channels or one of the dedicated money transmission operators (MTOs). As migrant populations have grown, banks have begun to see them as a new potential customer base for a range of bank services. In the area of worker remittances, however, a core service for these population groups, the banking industry as a whole has found it hard to compete on pricing and service levels with dedicated providers.

Over the past few years, a number of banks have sought to rectify this and have been working with SWIFT to provide a robust competitive framework for worker remittance services.

SWIFT has actually been handling low-value payments and workers' remittances for decades, says Olivier Denis, market manager, workers' remittances, SWIFT, but in an undifferentiated clearing and settlement flow based on generic payment messages, such as the MT 103. "They were in the general mix of low-value payments, which from the perspective of a dedicated remittance provider, was sub-optimal in processing terms," he notes. "We recognised a need to

segment and segregate this type of payment to be more efficient."

Together with its member banks, SWIFT developed a service offering for workers' remittances, including both a business and a technical framework that allows banks to be truly competitive with existing non-bank providers. "In terms of service, pricing, positioning and flexibility, banks are up against the established MTOs," says Denis. The solution has been live since April this year. "We have 33 banks that have signed up and some, such as La Caixa in Spain (see page 8) have already gone live with measurable success," he adds.

The business framework is essentially a business contract template, allowing for banks to agree bilaterally to run a remittance service on the SWIFT network. "This is very important in terms of scalability and service quality," says Denis. "You need a general and standardised set of rules to agree service conditions in order to be competitive in terms of pricing, flexibility, and timing. At the end of the day, the customer needs to have certainty on when the value will be credited to the beneficiary."

The framework includes defined service conditions for urgent, instant and standard transfers. Standard is two days value to beneficiary, urgent

is early next day taking into account time difference and instant is 20 minutes.

“On the technical side, we have defined a rulebook and guidelines for operation, including clarity on the clearing process between the sending and receiving bank, even if they settle via a third party,” says Denis.

#### Unbanked customers

In many cases, the recipient of a remittance does not actually have a bank account. How does SWIFT, traditionally associated with bank-to-bank transfers, overcome that hurdle? “This new service framework is not limited to the traditional role of account-to-account credit transfers,” Denis stresses. “It allows for multiple payment instruments.” A particular focus has been on defining service conditions for payments related to unbanked recipients. “We have defined rules and payment instructions to credit value to alternative payment instruments that are now offered in developing countries to unbanked customers by financial institutions or payment services.” These include pre-paid cards and stored value accounts linked to mobile phones – instruments that are increasingly popular in developing countries to promote financial inclusion.

#### La Caixa

The solution has provided itself in a live environment, with La Caixa a particular success story. “They have been involved in the advisory group from the start and have been one of the first to move into live production,” says Denis. A particular benefit has been the time saved in establishing a new counterparty on their system, down from an average six months to two. “This adds significantly to their business agility,” says Denis.

## SWIFT supports the EPC in driving adoption of SEPA instruments

### Helping the industry to standardise SEPA processes



The Payments Services Directive (PSD) issued by the European Commission

constitutes the required legal foundation for payment services in EU currencies in the European Union. The introduction of the PSD at national levels in November 2009 standardises the rights and obligations of payment services providers and users, but leaves the harmonisation of the European ‘domestic’ payments market to self-regulation of the financial industry under the Single Euro Payments Area (SEPA) initiative, coordinated by the European Payments Council (EPC). The EPC issues rulebooks and guidelines that encompass two key payment schemes: the SEPA Credit Transfer (SCT) launched in January 2008 and the SEPA Direct Debit (SDD) launched in November 2009. Both schemes define a set of transaction messages that are based on new international standards, the acceptance of which goes beyond Europe:

1. the ISO 20022 XML message standard for mass Euro payment transactions
2. the use of an account identifier based the ISO International Bank

Account Number (IBAN)'

3. the use of a single bank identifier based on the SWIFT Bank Identifier Code (BIC)'.

Though these standards allow high levels of automation, the financial industry has adopted a gradual approach, where both native XML and domestic formats co-exist, for two main reasons. First, the cost of migrating legacy but efficient instruments is very high. Second, domestic payment instruments offer sophisticated end-user features, not always available in SEPA. As a consequence, the uptake is very slow, and current volumes do not reach the critical mass required by SEPA to deliver fully against its initial objectives.

To accelerate SEPA migration, SWIFT is co-operating closely with the EPC to enhance SEPA standards and to provide banks reachability.

SWIFT also provides a set of services and products to rationalise the SEPA processes and reduce the SEPA migration cost:

- A common platform that enables banks to transfer payments across national and regional communities: SWIFTNet Bulk Payments carries about 4 billion transactions between European banks and 15 Automated Clearing Houses

- Reference data, to ensure correct IBAN-BIC combinations and efficient routing of transactions through the best available clearing channel
- Training services on SEPA – using ISO 20022 messages
- Testing tools to prepare for SEPA integration and self compliance declaration that represent 20-30% effort savings (SEPA Testing Programme)
- A list of certified application vendors that are compliant with the SEPA rulebooks (SEPA Label).



## MT 202 COV: heads up

If, as a payment practitioner, you are reading these lines and have never heard of the MT 202 COV, you had better pay attention, because this message will impact your organisation in many ways.



The MT 202 COV<sup>1</sup> was introduced on 21 November 2009 through the yearly SWIFT Standards

Release<sup>2</sup>. Its purpose is to create transparency in the cover payment process for intermediary and clearing institutions. The message contains a new sequence where the information on the ordering and beneficiary customer, along with all financial institutions and remittance information from the underlying MT 103, is copied.

Besides the obvious operational changes to your applications to support the MT 202 COV and include the underlying MT 103 information, banks are responsible for applying a couple of recommendations and controls.

In May 2009, the Basel Committee for Banking Supervision provided guidance on the roles and responsibilities of originator and intermediary institution<sup>3</sup>. The Payments Market Practice Group has also published a list of important guidelines for the use of the MT 202 COV<sup>4</sup>. In addition, you may also consider looking at the list of frequently asked questions published by the Wolfsberg group and The Clearing House<sup>5</sup>.

Institutions should adapt their processes, as they will now be

confronted with additional information subject to regulatory screening. The additional number of investigations created by hits resulting from the screening process should be carefully planned for in order to avoid delays or increase risks due to insufficient resources for analysis.

In fact, the MT 202 COV is anything but a 'technical upgrade'. The breadth of the implications it causes for banks is the prime reason why the change was proposed for the Standard Release 2009, even though it was approved in time to be rolled out as part of Standards Release 2008.

As for regulators, what will they do? So far they have been monitoring very closely what they refer to as an 'industry initiative'. FATF recently urged financial supervisors and financial institutions to focus on the transparency of cover payments: "Increasing transparency in payment messages does not depend on messaging standards alone, but also on the implementation of appropriate practice by banks involved in processing the transfers. The FATF will review the effect of these developments and will amend as appropriate its standards to ensure transparency of cover payments". The message is clear.

<sup>1</sup> Whenever the MT 202 COV is mentioned it should be read as MT 202 COV and/or MT 205 COV

<sup>2</sup> See [www.swift.com](http://www.swift.com) ([http://www.swift.com/about\\_swift/press\\_room/swift\\_news\\_archive/home\\_page\\_stories\\_archive\\_2009/Newstandardsforcoverpayments.page](http://www.swift.com/about_swift/press_room/swift_news_archive/home_page_stories_archive_2009/Newstandardsforcoverpayments.page))

<sup>3</sup> The Basel Committee on Banking Supervision (<http://www.bis.org/pub/bcbs154.htm>)

<sup>4</sup> The Payments Market Practice Group (Market Practice Guidelines for use of the MT 202 COV on <http://www.pmpg.info>)

<sup>5</sup> The Wolfsberg group (<http://www.wolfsberg-principles.com/>)

## Meet SWIFT – upcoming events

WHERE	WHAT	WHEN
United Arab Emirates, Dubai	Regional Conference in the Middle East	1-3 March 2010
UK, London	International Payments Summit	8-11 March 2010
USA, New York	The Global Commercial Cards and Payments Summit	23-24 March 2010
Belgium, La Hulpe	Partner Meeting	1-2 April 2010
USA, New York	SWIFT Premium Service Forum	20 April 2010
USA, New York	SWIFT Operations Forum Americas (SOFA)	21-22 April 2010
South Africa, Johannesburg	Regional Conference in Africa	4-6 May 2010
Luxembourg, Luxembourg	EBA Day	26-27 May 2010
The Netherlands, Amsterdam	Sibos 2010	25-29 October 2010
USA, San Antonio	AFP Annual Conference	7-11 November 2010

Details of these events are provided as appropriate on [www.swift.com](http://www.swift.com)