



*Use SWIFT to
reduce liquidity risk*

Benefits

- Avoid overdraft charges or intra-day credit line costs
- Reduce liquidity buffers
- Lower funding needs
- Comply with regulation

SWIFT solutions for liquidity risk management

Increase intra-day visibility on funds and get better intelligence on transaction flows to reduce liquidity buffers, lower funding needs and comply with regulations.

The recent financial crisis brought liquidity risk management high on the financial industry agenda. Gaps were identified in the ability to manage liquidity and associated risk. Regulators are putting in place more stringent liquidity frameworks.

Are you one of these institutions?

As a result, you need to improve:

- Operational liquidity management: collect more frequent and granular information on cash positions to increase funds visibility on an intra-day basis to help reduce oversized liquidity buffers, overdraft charges and intra-day credit lines costs. You also need to control the flow and timing of payments and manage your collateral positions.
- Liquidity risk management with tools to track exposure across counterparties and spot unexpected market movements, thereby reducing funding needs; run stress tests to calculate liabilities and forward risk exposure and define contingency funding planning.
- Reporting: report on key liquidity and risk indicators to management, board, and supervisors.

A recent SWIFT survey carried out in cooperation with gtnews confirms that 79% of the 255 responding bank treasurers and liquidity managers are investing in liquidity management and associated risk.

Investments are taking place worldwide, also in the regions less impacted by the crisis. Hence 63% of Asia Pacific respondents are starting a liquidity management project.

- 90% want more intra-day reports.
 - 38% have less than 25% of transactions reported on the same business day.
 - 85% want more granular reports to facilitate integration.
- 68% want to receive a copy of Nostro reports sent to their branches.
- 59% look for external consulting services to integrate liquidity reports in applications.
- 87% want traffic pattern and trend analysis, benchmarks and liquidity risk management insights.

To get the full results of this survey, please send a request to catherine.banneux@swift.com

SWIFT standards for intra day reporting				
MT	MT 900 Confirmation of debit	MT 910 Confirmation of debit	MT 941 Interim balance report	MT 942 Interim transaction report
MX	Debit/Credit Notification (camt.054)	Debit/Credit Notification (camt.054)	Account Report (camt.052)	Account Report (camt.052)
Available November 2011	NotificationToReceive (camt.057) NotificationToReceiveStatusReport (camt.059) NotificationToReceiveCancellationAdvice (camt.058)			

How SWIFT can help

You can use SWIFT to improve your liquidity and risk management. The SWIFT portfolio provides the foundational data needed for liquidity, liquidity risk and reporting:

- Intra-day liquidity reports
SWIFT has a rich set of messages to improve intra-day visibility on funds, by providing transactional and account balance information.
- Copy service FINInform
SWIFT can support your treasury to build a central, bank-wide view on its global liquidity position, with a copy of the Nostro reporting sent to your branches.
- Consulting Services
SWIFT can provide consulting services to integrate these messages in your payment, cash management and treasury applications.
- Traffic data and business intelligence
Watch is the cornerstone of SWIFT's business intelligence portfolio, giving invaluable insights on liquidity exposures, better visibility on counterparty concentration and variations thereof. Furthermore, SWIFT also provides business intelligence "on-demand", to benchmark your operations and giving a perspective on market position evolution, possibly against a representative peer group.

Intra-day liquidity reports to improve visibility

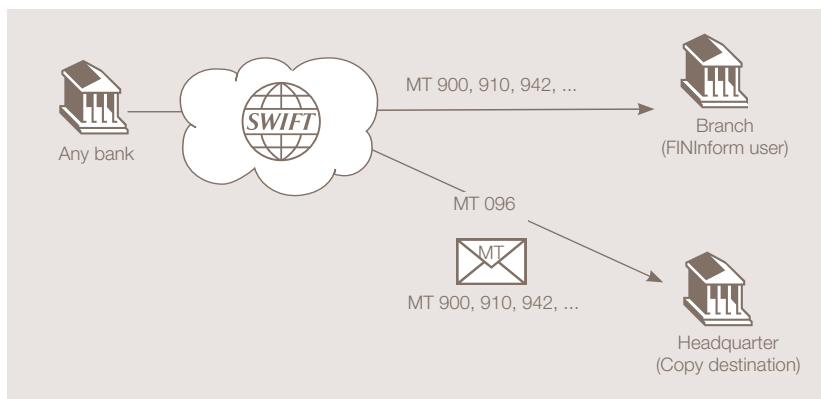
SWIFT has a set of liquidity reports, in MT and MX formats.

Most Nostro providers support intra-day cash reporting via FIN. You can build cash reconciliation and visibility by receiving a debit/credit advice for each transaction (MT 900/910) as soon as it is posted on your account. You can also ask for a consolidated transaction report at specific times or frequencies (MT 942). Or combine both.

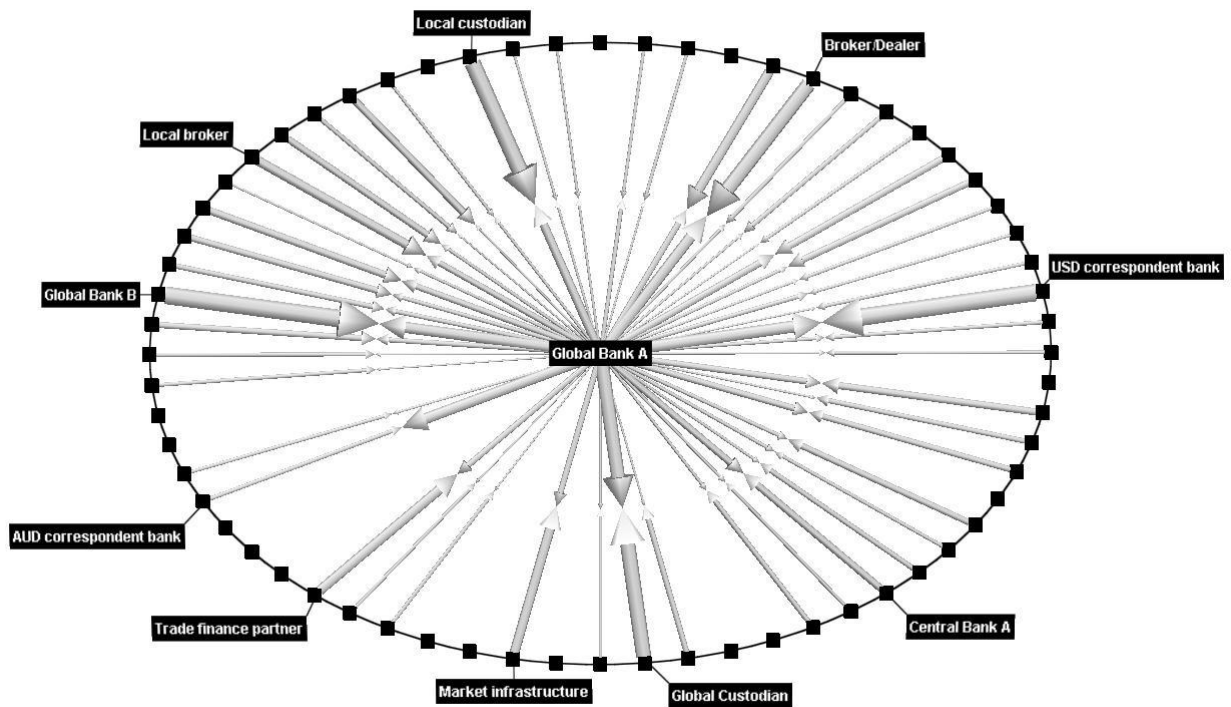
The ISO 20022 MX messages can report 100% of movements. The Account Report message provides the most detailed view on transactions as well as balance information.

Your reconciliation matching rate will increase as information provided is coded and granular, particularly regarding underlying transaction date and time, type codes, references, parties, and remittance information. Beyond starting and end balance, these messages can also report on projected balance.

You can also ask your Vostro correspondents and customers to provide a Notice to Receive for large amounts to support your forecasting process. You will be able to provide a status report back to them, including a status code for a payment that has not been received or received with discrepancies.



Ⓐ FINInform for centralised risk management



▲ Counterparty concentration for top business partners

Copy service to build central liquidity view

If your Nostro management is decentralised, you also need accurate and timely information on your branches liquidity position. This might be difficult if they have not implemented intra-day reconciliation. Through SWIFT's FINInform service, you can receive a copy of each intra-day report received by your branches from their correspondents, including balance reporting. This will give you an immediate centralised, bank-wide view on your global liquidity.

Consulting Services to integrate data

SWIFT Consulting Services provides experience, knowledge, and management skills to help with your liquidity projects.

SWIFT can provide impact assessment, integration or project management services, to help you implement liquidity projects and be compliant within a short timeframe.

SWIFT traffic data to give business insights

Watch is a dynamic and interactive platform allowing customers to gather insights on liquidity performance, relative exposures and related risks. These reports can help you build historical and trend analysis and identify potential gaps.

Some examples:

- Counterparty concentration analysis for top business partners;
- Trend analysis by market and at a regional, country or corridor level;
- A peer comparison, benchmarking and market share analysis can be done on an ad hoc basis. This can be per legal entity, on aggregated group level, or movements compared to the market.

About SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect over 9,000 banking organisations, securities institutions and corporate customers in over 200 countries. SWIFT enables its users to exchange automated, standardised financial information securely and reliably. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest.

For more information please contact your SWIFT account manager, send a mail to swiftforbanks@swift.com or visit www.swift.com

Complying with new regulation

SWIFT solutions, in particular intra-day liquidity reports and also traffic data, can help you comply with new liquidity risk regulation.

UK – FSA – STRENGTHENING LIQUIDITY STANDARDS – November 2009 – CP09/16

- Systems and controls requirements (requirements are contained in BIPRU 12.3.)
“Firms will be required to have in place robust strategies, policies, processes and systems to identify, measure, manage monitor the liquidity risks to which they may be exposed including intra-day risk. Banks should have reliable management information to ensure appropriate and timely forward-looking information on the liquidity risk of the firm.”
- Individual Liquidity Adequacy Standards (ILAS) :
intra-day liquidity risk is listed as a third source of liquidity risk.
- Liquidity Reporting - FSA 047 - Intra-day flows report on a daily basis
- Intra-day liquidity management of liquidity
12.3.17. “A firm must actively manage its intra-day liquidity positions and any related risks so that it is able to meet its payment and settlement obligations on a timely basis.”

12.3.21. A firm should be able to ...
“a) measure expected daily gross liquidity inflows and outflows...
b) monitor its intra-day liquidity positions against expected activities and available resources
c) identify gross liquidity inflows and outflows ...”

US INTERAGENCY POLICY STATEMENT ON FUNDING AND LIQUIDITY RISK MANAGEMENT – March 2010

The OCC, FRB, FDIC, OTS, and NCUA in conjunction with the Conference of State Bank Supervisors (CSBS), are adopting this policy statement that summarizes the principles of sound liquidity risk management and emphasizes supervisory expectations for all depository institutions including financial institutions, thrifts, and credit unions.

Sound practices of Liquidity Risk Management 6.

“An institution’s liquidity management process should be sufficient to meet its daily funding needs and cover both expected and unexpected deviations from normal operations... Critical elements of sound liquidity risk management include active management of intraday liquidity and collateral...”

Intraday Liquidity Position Management

24. “Intraday liquidity monitoring is an important component of the liquidity risk management process for institutions engaged in significant payment, settlement, and clearing activities... Therefore, institutions ... should actively manage their intraday liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. Senior management should develop and adopt an intraday liquidity strategy that allows the institution to:

- Monitor and measure expected daily gross liquidity inflows and outflows.
- Identify and prioritize time-specific and other critical obligations in order to meet them when expected...”

International - BIS - Principles for Sound Liquidity Risk Management and Supervision – September 2008 – BCBS 144

Measurement and management of liquidity risk- Principle 8: “A bank should actively manage its intra-day liquidity positions and risks to meet payment and settlement obligations on a timely basis under both normal and stressed conditions thus contribute to the smooth functioning of payment and settlement systems.”⁸¹ - A bank should have the capacity to monitor intra-day liquidity positions against expected activities and available resources... Monitoring key positions frequently during the day can help a bank judge when to acquire additional intra-day liquidity or restrict liquidity outflows to meet critical payments...” - Enhancement to the Basel II framework – July 2009 - BCBS 157 71 – “A bank’s failure to effectively manage intra-day liquidity could leave it unable to meet its payment obligations at the time expected.”

International framework for liquidity risk measurement, standards and monitoring – December 2009 – BCBS 165 5. “It should be stressed that the standards establish minimum levels of liquidity for internationally active banks. Banks are expected to meet these standards as well as adhere to all the principles set out in the September 2008 Sound Principles document...”