



SWIFT Response to  
The European Commission's  
Green Paper on  
Retail Financial Services

18 March 2016

SWIFT welcomes the European Commission's green paper on improving retail financial services in the EU and thanks the Commission for the opportunity to provide comments.

SWIFT is a global member-owned cooperative and the world's leading provider of secure financial messaging services. We provide our community with a platform for messaging, standards for communicating and we offer products and services to facilitate access and integration; identification, analysis and financial crime compliance. Our messaging platform, products and services connect more than 11,000 banking and securities organisations, market infrastructures and corporate customers in more than 200 countries and territories, enabling them to communicate securely and exchange standardised financial messages in a reliable way. As their trusted provider, we facilitate global and local financial flows, support trade and commerce all around the world; we relentlessly pursue operational excellence and continually seek ways to lower costs, reduce risks and eliminate operational inefficiencies.

SWIFT is a strong advocate of the use of internationally-recognised standards. Where such standards have been implemented in financial markets, there have been substantial benefits in terms of interoperability, progress towards the development of integrated digital financial services, reduced costs and frictions, and improved access to markets and services. Additionally, standards improve transparency and consistency, and facilitate the roles of regulators and supervisors, thus helping to ensure the development of stronger, safer financial markets for the benefit of industry participants and ultimately for retail customers and investors.

We have, of course, noted that the green paper on retail financial services focuses on the needs of EU citizens and businesses. Although SWIFT does not provide services directly to members of the public, we provide services to banks and companies that do engage directly with end-consumers. Our suggestions are therefore designed to enable SWIFT's bank and corporate customers to simplify *their* services for the benefit of their retail customers.

SWIFT thanks the Commission again for the opportunity to provide comments on the green paper, and is readily available to provide further expertise should that be deemed helpful.



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***Q2: What are the barriers which prevent firms from directly providing financial services cross-border and consumers from directly purchasing products cross-border?***

**Use of common standards in financial services:** To enable the wider provision of cross-border financial services, it is important to eliminate barriers to technical interoperability such as the multiplicity of incompatible data formats and identifiers. The adoption of common standards for data communication and identifiers is critical for the seamless exchange of information, liquidity and the mobilisation and free-flow of capital and securities. SWIFT supports the use of open standards as they do not require a fee for use, are not controlled by a single commercial entity, and are governed, developed and maintained according to transparent processes that are open to user participation. They provide a 'level playing field' for all market participants, promoting free market access and the free exchange of information.

The inclusion of a requirement for the use of open industry standards for both data communication and identifiers in potential future legislation is essential to address the current fragmentation, barriers and frictions within the EU financial marketplace. The use of open industry standards would bring substantial benefits in terms of interoperability, accelerate progress towards an integrated digital financial services market, enhance competition, eliminate costs and frictions, and improve access to markets and capital. Additionally, they would improve transparency and consistency, facilitate the roles of regulators and supervisors, and help to ensure the development of a stronger, safer EU financial marketplace for the benefit of financial providers and consumers alike.

Where open standards have been required in the EU, they have facilitated the elimination of barriers and the integration of diverse markets. For example, the legislation around the Single Euro Payments Area (SEPA) mandated the use of open standards ISO 20022, ISO 9362 (BIC) and ISO 13616 (IBAN), leading to the technical rollout of the SEPA schemes.

**Move to instant payments in euro:** Instant payments are already a reality within a number of domestic markets around the world. Widespread mobile and e-commerce means customers expect a similar experience when making payments – simple and immediate, with greater certainty and transparency on costs.

As well as benefitting end-consumers and small-to-medium enterprises, instant payments also help to accelerate overall economic growth – if a business is paid in real time, it is able to speed up its cash conversion cycle, generate necessary working capital and reduce the need for expensive short-term financing. Furthermore, instant payments can also aid financial inclusion because they provide an alternative to expensive cash and cheques.

There are already a number of instant payments schemes in place around the world, and their design and implementation approaches can vary considerably. More recent systems have the advantage of being able to build on what has been learnt and achieved in the past. SWIFT has a detailed understanding of the payments landscape in Europe, having contributed to several successful large scale projects such as TARGET2, and the Single European Payments Area. Further afield, we have been appointed to design and build the innovative, real-time [new payments platform](#) in Australia, and we believe the experience we are gaining from this initiative could be directly useful to the development of instant payments services which are underway in the EU. In particular, we would advise a consistent approach to standardisation in such

initiatives, as this will be critical to ensure any eventual interoperability amongst the payment systems both within the euro-zone, as well as with other payments schemes, both elsewhere in Europe and beyond.

Instant payment systems must meet many requirements to live up to the expectations of all their stakeholders, from regulators to banks, through to end-customers. They must be cost-effective, resilient and fast, and a number of best practice design principles include:

- Allow for low-latency 24/7/365 payments services to end-users, supporting value-added services and allowing API-based integration with third parties, in accordance with all regulatory obligations.
- Be built on open standards allowing the re-use of technology and communication via global message protocols such as ISO 20022.
- Deliver the highest possible levels of security, availability, bandwidth and redundancy, supporting real-time fraud detection in line with prevailing KYC and cyber-security requirements.

Building a single, isolated real-time retail capability that meets these requirements would be challenging enough, but the complexity is significantly higher if there are two or more such systems being developed and/or there are legacy infrastructures in place. In the EU, where multiple real-time capabilities are expected to co-exist, alongside multiple legacy infrastructures, interoperability will be key to avoiding fragmentation, ensuring ubiquity, and avoiding the cost of multiple integration projects across multiple systems. Cross-system interoperability should span message standards, business flow market practices, exception handling procedures, approach to application programme interfaces (APIs), settlement methods, participation models, risk coverage and service levels.

We encourage the Commission to ensure a suitable balance between encouraging innovation in the payments area and the security and compliance obligations of all players, and to ensure a level playing field for existing providers and new entrants. Some aspects of the EU legal framework may need to be reviewed to facilitate interoperability between instant payments systems. For instance, the ability for instant payments providers to hold fiduciary accounts in other member states would allow the final settlement of funds between systems.

We encourage the Commission to ensure a suitable balance that will allow and encourage innovation in the payments area, while also ensuring a level playing field.

Some aspects of the EU legal framework may need to be reviewed to ensure greater interoperability between instant payments systems. The ability for instant payments providers to hold fiduciary accounts in other member states would greatly reduce delays to the final settlement of funds between systems.

***12. What more can be done at EU level to tackle the problem of excessive fees charged for cross-border payments (e.g. credit transfers) involving different currencies in the EU?***

Regulation 924/2009 on cross-border payments in the EU has addressed the differences in charges for cross-border and national payments in euro, but as stated in the Regulation itself, cross-border payments in the EU area are not always done in euro and as a result conversion rates have to be applied and currency risk has to be taken into account. For this reason it is difficult to predict the fees for cross-currency, cross-

border payments. We suggest that market-led initiatives to address the complexities and costs of cross-border transfers are preferable to further regulation, as this can take a long time to implement before the benefits accrue to end-consumers.

SWIFT is currently working with a group of leading banks to set the direction for the next generation of correspondent banking services, by increasing the speed, transparency and predictability of cross-border and cross-currency payments. The innovative new service is designed to address end-customer needs, without compromising banks' abilities to meet their compliance obligations, market, credit and liquidity risk requirements.

The first phase of the initiative, currently underway, is aimed at the corporate end customer. It will help companies to grow their international business, improve their supplier relationships, and save costs and resources. They will also receive an improved payments service directly from their banks, including the same-day use of funds and transparency and predictability on fees, directly benefitting end-users.

The next phase of the initiative will include additional service level agreements that will cater for other client groups, further reducing the costs and frictions arising from compliance, liquidity and processing-efficiency considerations involved in cross-border payments.

***24. Is further action necessary to promote the uptake and use of e-ID and e-signatures in retail financial services, including as regards security standards?***

We believe that further work could be done to identify ways of sharing verified and trusted identification information between member states. We draw the Commission's attention to two examples in the EU where work on digital identity verification has been done at national level and could have implications for cross-border application.

- In Norway, a bank customer can use a digital identity issued by one Norwegian bank to open or access a bank account with any other Norwegian bank. The Norwegian system allows a single credential to be used for access to multiple online bank accounts, and provides capabilities to detect fraudulent information about an identity between platforms and relying parties. Norway experiences very low levels of internet banking fraud.
- In the UK, a digital identity scheme, GOV.UK Verify, has been created for access to central public services. Although the system has not been extended to the private sector, work is underway to investigate what adaptation would be required to make that possible.

We encourage the Commission to look at ways in which consumers could use a verified digital identity for access to financial services wherever they go in Europe.

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