



Data-driven solution supports greater transparency and higher straight-through-processing rates

Rabobank uses Payments Data Quality for FATF 16 compliance and increased operational efficiency

With FATF Recommendation 16 requirements becoming part of EU regulation, Netherlands-based Rabobank was looking for better insights into the quality of its payment data for the purposes of enhancing counter terrorist financing controls.

Under Recommendation 16, banks are required to provide specific details about both the originator and beneficiary of a payment, and to monitor the quality of data for incoming payments. At the same time, banks acting as intermediaries now have the same responsibilities as ordering / beneficiary institutions when it comes to checking the completeness of data.

In light of these changes, Rabobank wanted a different approach for assessing payment data quality. The bank was also seeking an opportunity to use intelligent analytics to identify potential risks, rather than relying on operational systems.

Joyce Verschaeren, the bank's head of operations control and services development, is closely involved in understanding the impact of regulations on operations and payments globally. She explains that as the bank gained a clearer understanding of the new regulation, other opportunities for optimisation were also identified. "While we were diving deeper into the payment details, we found that there were also improvements to be made in relation to FATF Recommendation 7 about customer due diligence and record-keeping," Verschaeren explains.

As a result of these requirements, the decision was taken to participate in the initial pilot of SWIFT's Payment Data Quality service alongside eight other banks. The centrally hosted service enables financial institutions to evaluate the quality of originator and beneficiary information in their SWIFT payment messages and investigate any issues that may be identified. It supports compliance with FATF Recommendation 16 without the need for on-site system installation or integration.

From pilot to go-live

During the pilot, Rabobank benefited from close cooperation with SWIFT, with proposed improvements rapidly incorporated into the system. "Being part of the pilot really helped us because it gave us a lot of insight into the quality of our payments," says Verschaeren. "Based on that, we've made significant progress in gaining a detailed insight of the total payments flow."

Following the successful pilot, Payments Data Quality went live in November 2016. Since then, Rabobank has been using the service to gauge how effectively the bank is meeting its payments regulation requirements. "My team is using it very actively," says Verschaeren. "We are filtering the data branch by branch, location by location and agent by agent, to see where the biggest improvements can be made. Based on that analysis, we reach out to the local operations and their IT and ask them to make changes where necessary."



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Rabobank is an international financial services provider operating on the basis of cooperative principles. It offers retail banking, wholesale banking, private banking, leasing and real estate services. As a cooperative bank, Rabobank puts customers’ interests first in its services. It serves approximately 8.7 million clients around the world.

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Verschaeren describes the experience of using Payments Data Quality as ‘intuitive’, noting that advice and workshops provided by SWIFT have helped Rabobank get the most out of the service. “It really surprised me how fast we were able to retrieve useful data to improve our payments and check irregularities,” she comments.

Benefits

By using the service, Rabobank has been able to gain considerable insights into how different branches use SWIFT, and identify variations in how specific fields are being completed in different parts of the world. “In the past, we had SWIFT Alliance Access but we did not compare how different messages and fields were being filled.” Payments Data Quality has given the bank a global overview of how fields are being used, enabling branches to use SWIFT formats more effectively. While FATF 16 may have provided the initial impetus for Rabobank to adopt Payments Data Quality, the bank has seen additional benefits from using the service. “Payments Data Quality gives us deep insight into how different departments actually use payment messages, including cases where this is not the most optimised way possible,” says Verschaeren.

These insights have enabled the bank to improve payments efficiency, for example by identifying that an MT 103 message is being used where an MT 202 would be more appropriate. On such occasions, the bank may still be compliant with the required regulations, but the incorrect use of a payment message can nevertheless impede straight-through processing. “When we’ve found opportunities for improvement, departments have sometimes come back to us with queries, which has led us to discover that the question of how to interpret an MT 202 is not always fully understood,” Verschaeren explains. “This has led to deeper analysis, which has allowed us to set up better operational flows and improve straight-through processing rates.”

Next steps

While the original intention was for Verschaeren’s team to manage the use of Payments Data Quality across the bank, Verschaeren says she is now considering rolling the service out to individual branches. By doing so, branches will be able to check their own data and make sure they are complying with the relevant payment regulations.

Rabobank has now been live with Payments Data Quality for several months, and Verschaeren reports that the bank continues to gain additional insights every time the tool is used. “There are still a lot of improvements that are planned for Payments Data Quality, so our experience of using the tool will only get better,” she says.

In terms of overall learnings, Verschaeren notes that it is unwise to make assumptions about the quality of incoming and outgoing payments, particularly where regulatory compliance is concerned. “Payments Data Quality brings you the extra assurance of knowing that you are in control, and being able to prove it,” she observes. “You earn the time investment back very quickly by having greater insight into your payments, and indeed those of your counterparties and agents. That’s really a great benefit.”

She concludes, “With the data that SWIFT has, they are the only ones who could set up a tool of this quality. I don’t see how any other vendor could match the data and the way that it is presented in this tool – that’s really unique.”

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