



## Payments Data Quality service: BNP Paribas sets the pace

Reinforcing the payment chain to promote transparency



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**Pierre Gouarin**

Managing Director, OFAC/Sanctions Advisory Team, Group Financial Security – U.S.

BNP Paribas is using SWIFT’s Payments Data Quality service as part of a major initiative to improve data quality and transparency at a global level.

With regulatory compliance high on the agenda, the bank is taking decisive steps to ensure enterprise-wide compliance with sanctions, anti-money laundering (AML) and counter terrorist financing (CTF) requirements.

In parallel, BNP Paribas has embarked on a programme to ensure end-to-end payments transparency, while working with leading banks and SWIFT on message standards and best practices that address these evolving compliance requirements.

Along with ensuring US ‘Travel Rule’ compliance, BNP Paribas is focusing on the requirements of EU FTR 2015. The bank is also preparing for the 2020 SWIFT Standards release, which will mandate the use of structured fields for originator and beneficiary information in MT 103 messages (fields 50F and 59F, respectively). BNP Paribas has opted to start using the new fields at the earliest opportunity.

Achieving this level of transparency relies on keeping a global view of correspondent relationships and ‘payment chains,’ a challenge, since payment information is spread across multiple payment systems and stored in multiple formats. This is where Payments Data Quality comes in.



“We discussed our requirements with SWIFT, so when we received the full Payments Data Quality tool for pilot testing there were no surprises.”

**Christiane Hayward**

Managing Director and Chief Operating Officer, Group Financial Security – U.S.

### Data quality challenges: regulatory context

The quality of payment transaction data is critical to effective Sanctions and AML controls, as well as the transparency that regulators require. If the names of payment originators or beneficiaries – and their locations – are not represented accurately in payment messages, illicit transactions might not be identified and stopped, potentially resulting in fines and other types of enforcement actions.

As governments seek to curtail terrorist financing, money laundering and other forms of criminal activity, regulators around the world are focusing closely on improving transparency around who is sending and receiving money through the global financial system. Regulatory pressure is mounting – from the existing US ‘Travel Rule’ to the

more recent EU Funds Transfer Regulation 2015 (EU FTR 2015\*), which took effect from 26 June 2017 and reflects the originator and beneficiary data requirements outlined in Financial Action Task Force (FATF) Recommendation 16.

The importance of accurate transaction data for effective financial crime compliance means failure to meet these data quality requirements can result in severe penalties. One bank that is actively addressing this issue is BNP Paribas, which has set up a global transparency project to ensure compliance with EU FTR 2015, US requirements and other applicable regulations as part of its commitment to Sanctions, AML and counter terrorist financing (CTF) compliance.

\* Regulation 2015/847 of the European Parliament and of the Council on information accompanying transfers of funds

## BNP Paribas, an early adopter of the Payments Data Quality tool

SWIFT's Payments Data Quality tool enables BNP Paribas to identify areas for improvement and track the progress of their transparency programme. As part of the initial pilot programme for Payments Data Quality, the bank focused initially on outgoing payments. "Our first priority was monitoring the progress of our payments transparency project," says Christiane Hayward, Chief Operating Officer, Group Financial Security U.S. "The next step was to use the tool to monitor data quality in business-as-usual mode."

By playing an active role in the development of Payments Data Quality, BNP Paribas is confident that the tool fully meets its own needs. "We discussed our requirements with SWIFT, so when we received the full tool for the pilot there were no surprises," says Hayward.

### Clear benefits

The benefits of Payments Data Quality have quickly become apparent, explains Pierre Gouarin, Managing Director, OFAC Sanctions Advisory, Group Financial Security – U.S. "The tool has several key strengths," he says. "It provides a global overview along with detailed analytics and reporting, so we can track our progress over time. We can also review everything from an entire banking group to a single BIC code, allowing us to focus our investigations. And perhaps most importantly, it controls the presence of country-related information."

"A key principle is to ensure that the relevant payment information is provided to our correspondents," says Gouarin. "Payments Data Quality helps us to monitor on-going compliance."

### A wider scope

While the project's initial focus was the bank's outgoing payments, the implementation of FATF Recommendation 16 as part of EU FTR 2015 means inbound payments are now also under scrutiny. So, BNP Paribas recently started to use Payments Data Quality for incoming payment flows as well. "This supports our control framework to comply with EU Funds Transfer Regulation 2015," explains Anne-Catherine Colleau, Deputy Head,

Group Financial Security Paris. She notes that the tool will enable BNP Paribas to demonstrate robust methodology and documentation to regulators, reinforcing the bank's risk-based approach.

"The tool is very user friendly," Colleau adds. "It produces good market intelligence, enabling us to identify issues that we would not have been able to resolve internally, such as concentrations of anomalies by bank and BIC."

### Structural support

Gouarin observes that Payments Data Quality can facilitate the development of industry standards and best practices. Until 2020, banks can continue to use free format fields for originator and beneficiary data, potentially hampering sanctions and AML controls. Data truncation, where information is lost due to structured field size restrictions, poses additional risks.

"We believe the structured field option supports robust sanctions and AML compliance, which is why we are adopting it ahead of the deadline," Gouarin explains. "However, there are no standards or best practices specifying exactly which information to prioritise in these fields in particular in case of truncation issues. Payments Data Quality provides an opportunity for SWIFT and its members to develop standards and best practices that support transparency and strong controls while enabling operational efficiency and straight-through processing."

### What next?

The potential for growth is huge. Plans are already underway to roll out Payments Data Quality to support sustainable compliance with the transparency requirements. "Payments Data Quality reinforces other compliance tools developed by SWIFT, including The KYC Registry and Compliance Analytics," says Gouarin. "Along with the other tools developed by SWIFT, it not only supports compliance – it benefits the business as a whole."

BNP Paribas continues to engage with SWIFT and other leading banks on payments transparency, and plans to exchange best practices with other Payments Data Quality users through a dedicated user group. The bank is also working with SWIFT's Standards

team and other experts to ensure that payment message standards reflect both compliance and operational requirements.



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#### **Anne-Catherine Colleau**

Deputy Head, Group Financial Security Paris

## Tough approach

Payments data has been the subject of regulatory focus for some time – and this trend is set to continue. Regulators expect banks to look at data quality in the messages they send, and increasingly in the messages they receive.

Previous FATF guidance, Special Recommendation 7 (SR VII), focused on the need for financial messages to include information about payment originators to prevent terrorists and other criminals from using wire transfers to move funds. But Recommendation 16 goes further. Under the new rules, banks are required to include not only the originator's name and address, but also the beneficiary's name. Banks must also verify that the relevant

originator and beneficiary information is present in the payments they receive, including when in the middle of a 'payment chain.'

The requirements of Recommendation 16 are effective in Europe through EU FTR 2015. Singapore, recently implemented the new rules within MAS Notice 626, and other jurisdictions are expected to follow.

Complying with the new rules represents a considerable challenge, as banks are required to ensure the accuracy of the data they provide while also monitoring the quality of the data they receive from other banks. This may involve adopting more explicit policies, enhancing internal controls – and even implementing appropriate monitoring and analytics solutions.

## Innovative support

To support industry compliance, SWIFT has developed Payments Data Quality, an advanced reporting and data analytics service that assists banks in checking that payment messages have the relevant originator and beneficiary information. The offering provides banks with a global view of the quality of information in the messages they send and receive, to help address, and if necessary investigate, shortcomings or inconsistencies in data quality.

This centrally hosted solution has been developed in line with SWIFT's community-based approach to financial crime compliance services, mutualising costs across users and benefiting the industry as a whole.

## Payments Data Quality

### The benefits

Payments Data Quality supports strong compliance and operational performance on three levels.

1. Supports compliance with the originator and beneficiary data requirements of FATF Recommendation 16, the EU FTR 2015 and the US 'Travel Rule.'
2. Helps you improve data quality in payments messages, supporting more effective, efficient transaction screening and AML monitoring.
3. Enhances operational efficiency and straight-through processing by identifying areas where poorly formatted messages may be blocked or delayed, so you can take steps to remedy the situation.

### How does it work?

Payments Data Quality uses advanced data analytics to help you assess the quality of originator and beneficiary information in the MT 103, MT 202COV and MT 205 payment messages your institution sends and receives. It checks the relevant SWIFT message fields for the presence of originator and beneficiary details and evaluates whether the information appears to be relevant, based on industry standards for such data.

Payments Data Quality is a *post facto* analytics and reporting tool. It does NOT validate whether information is accurate or correct – only whether it is present, and whether it appears in the correct format.

### What do I get?

The tool's detailed reporting helps you identify the branches and counterparties that regularly send messages with poor quality data, and tracks your progress as you work to resolve the situation. Payments Data Quality provides:

- a group-wide view of traffic to help identify top data quality 'offenders' (own entities or counterparties)
- the ability to investigate individual messages that have been flagged as having potential quality issues
- an audit trail of progress/improvement over time
- independent, third-party evidence to share with management, regulator(s) – and counterparties.

As Payments Data Quality is a secure, web-based service, you can sign up and start using it right away, without the need for costly systems implementation or integration projects.

When sending payments to:	Payer's Account Number	Payer's Name	Payer's Address	Payee's Account Number	Payee's Name
Payee PSP in the EEA*	✓			✓	
Payee PSP established outside of the EEA for amounts above EUR 1,000 (including linked transactions totalling more than EUR 1,000)	✓	✓	✓	✓	✓
Payee PSP established outside of the EEA for amounts below EUR 1,000 (not including linked transactions)	✓	✓		✓	✓
Payee PSP in the EEA but via intermediary PSP established outside the EEA	✓	✓	✓**	✓	✓

EU FTR 2015, which took effect in June 2017, mandates new originator ('Payer') and beneficiary ('Payee') data requirements for the Payment Services Provider (PSP) of the individual or entity sending a payment. The US Bank Secrecy Act (BSA) rule [31 CFR 103.33(g)], commonly referred to as the 'Travel Rule', already stipulated similar requirements for payment originators ('transmitters') and beneficiaries ('recipients'). Banks, regardless of their location, should be aware of the global repercussions of both sets of regulation, as well as the likelihood that other jurisdictions will follow suit in the wake of FATF 16.

\* European Economic Area

\*\* Address is required for amounts above EUR 1,000 (including linked transactions totalling more than EUR 1,000)

BNP Paribas is a leading bank in Europe with an international reach. It has a presence in 74 countries, with more than 192,000 employees. The Group has key positions in its three main activities: Domestic Markets and International Financial Services and Corporate & Institutional Banking, which serves two client franchises: corporate clients and institutional investors.

In its Corporate & Institutional Banking and International Financial Services activities, BNP Paribas enjoys top positions in Europe, a strong presence in the Americas as well as a solid and fast-growing business in Asia-Pacific.

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