Global Webinar
for Complementors

Presentation will begin at 12:03GMT
If you cannot hear us via WebEx / computer audio
you may need to dial-in using a phone
Agenda

1. Admin notices
2. Payment Experience – Alberto Barahona
3. Payment Pre-Validation – Mireia Guisado-Parra
4. ISO20022 – Marcos Cameron
5. Q&A
Admin notices

- This presentation is being recorded
- The content will be published on swift.com ([https://www.swift.com/standards/iso-20022/iso-20022-past-webinars](https://www.swift.com/standards/iso-20022/iso-20022-past-webinars))
- Global Webinar for Complementors occur the last Thursday of every month and you can register 2 weeks before each event here: [Global Webinar for Complementors](https://www.swift.com/standards/iso-20022/iso-20022-past-webinars)
- To ensure you receive communications from us while we remain GDPR compliant please update your preferences here (you will need to login to / create your free Swift account) to include the interests ‘Payments’ and/or ‘Standards’ and we will ensure we keep you informed about:
  - Global webinar for Complementors Invitations
  - Relevant developments on ISO 20022 and Transaction Management
  - Updates from Swift’s Market Practice team
  - The latest info on adoption enabling tools and support
- Support requests / queries should be raised via the [Support](https://www.swift.com/standards/iso-20022/iso-20022-past-webinars) page
The Payment Experience

Alberto Barahona

April 2024
Confidentiality: Restricted
Swift market research: The findings

According to our own market research, more than 50% of people prefer a non-bank for international payments. This project focuses on enabling Ease.

Choosing a payments provider

- **44%** Prefer a bank for cross-border payments
- **56%** Prefer a fintech or money transfer operator (MTO)

What are the key drivers to select a cross-border payments provider?

- **Security & trust** for those preferring a bank
- **Ease, speed & cost** for those preferring a fintech or MTO

% that would use their bank if it matched the alternative offering

- **76%** of consumers
- **83%** of SMEs

Source: Swift end user research, n = 4,000+ consumers, 2,700+ SMEs in 8 countries (Australia, China, Germany, India, Saudi Arabia, South Africa, UK, US)
The G20 has set targets for Retail payments to improve the cost, speed, transparency and access of international payments.

- **Cost**: Global average cost (fees & FX margin) < 1%
  No corridor with cost > 3%

- **Speed**: 75% of payments funds available in <1 hour
  The rest within one business day

- **Access**: End-users to have at least one option for sending and receiving electronic payments

- **Transparency**: All providers to share total transaction cost, expected time to deliver funds, tracking of payment status and terms of service

How Swift can support to reach the Transparency goal
Our vision: to enable banks to raise the bar in Payments Experience
- Provide the value of Essentials to our Community
- Bootstrapping the technical use of the new API paradigm

April 2024
Payments Experience

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Exposing value to customers in the frontend with **Swift products**

- **Frontend**
  - Bank-owned
  - Customers
  - Transparency on fees, FX, amount and delivery date
  - Simplicity
    - Pre-fill fields
  - Certainty/Peace of mind
    - Payment data is right
  - Transparency
    - No deducts
  - Traceability
    - Where is my money?

- **Backend**
  - Guidelines for a transparent, value added payments experience
  - API
    - SwiftRef
    - Pre-validation
    - Swift Go
    - gpi tracker

- Pre-processing
  - Data Services
- Foundational Services
- Data Services
25 Confirmed participants to the Proof Of Value + 15 in conversations
From different regions and sizes, and with different use cases and technical implementation

More than 100 institutions have shown interest in the PX initiative
Payment eXperience material and resources:

Material and resources from Tech Enablement to the PX and PoV initiatives:

- Sample code in different languages: Javascript, Python, SpringBoot, Quarkus and .NET
- Help developers get up and running faster with a particular language
- Sample code can be used as Quick Start templates ofr any other Swift API
- Swagger UI graphical interface used to visualize and interact with the API
- Code available at GitHub
  - Vulnerable dependencies fixed and patched automatically
  - Code always up to date with latest dependencies
  - Regression testing performed on every change
- New developer portal content, build by developers for developers
- Mobile App Prototype, developing use cases and possible flows
- Video of the Mobile App showing the features and uses
- New test cases in sandbox and Postman collections
- Named Swift Solution Architects and API Experts to Support adoption of the APIs by each participant
- Link between Swift members and Complementors, and other initiatives being run in parallel looking for accelerating and maximizing the benefits of the PX PoV
Our vision: Mobile App Prototype

1. Transparency guidelines
   - Close
   - My Bank
   - Step 1-3

   How much do you want to transfer?
   - You send: 3701.99 EUR
   - Recipient gets: 4000.00 USD

2. Pre-filling and validating data
   - Last Name: Smith
   - Account Number: 1371971358835999
   - ABA Routing Number: 021000322
   - Street: Oak Avenue
   - City: New York
   - Postal code: 10030

   Validated via pre-validation API

3. Exposing payment status
   - Payment reference: d9299585-b07b-4435-a7b8-24e412278b72
   - Payment statuses:
     - 28 AUG 2023 10:22 Payment sent
     - 28 AUG 2023 10:23 Payment in progress

   Exposed via gpi tracker API

Prefilled via SwiftRef API

Example from a dummy bank
Swift does not intend to create a standalone App

Note: Regulatory assessment to be conducted, actions resulting from it to be evaluated at a later stage.
Our vision: Mobile App Prototype

Payments Experience

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Note: Regulatory assessment to be conducted, actions resulting from it to be evaluated at a later stage.
Payment Pre-Validation

Mireia Guisado-Parra
The current reality

2024
Payment pre-validation explained

| Debtor | Debtor agent | Swift | Creditor agent | Creditor |

Uncertainty
Will the creditor receive the funds without delays?
The current reality
Industry cost and impact

2024 Payment pre-validation explained

Debtor → Debtor agent → Swift → Creditor agent → Creditor

Rejection
More than 5% of payment transactions are non-STP

This friction costs the industry around 2B EUR annually and represents more than 35 million payment transactions.
The cost to handle a single non-STP payment is in the order of 50-100 EUR.

Payment delays can take days to resolve at creditor, but also debtor, side and can result in late fees.
Handling issues (repair costs) are often expensive manual processes to run and maintain.
The current reality
Understanding this friction

Rejected payments typically have incorrect account details, identifiers and codes

Debtor agent can be unaware of local market practices at the destination

Swift's added value services can help the industry remove friction upfront by prefilling and validating upfront payment data
A trusted capability
Identifying potential friction up front
What is Swift’s payment pre-validation service

Debtor → Debtor agent → Swift → Creditor agent → Creditor

Payment instruction (preparation in progress)

LIVE
- Beneficiary account verification (BAV)
- Central BAV
- Validate payment purpose code
- Validate account format
- Validate financial institution identifier
- Verify payment eligibility (SwiftGo)

Collaborative service
Collaborative service
Beneficiary Account Verification (BAV)

2024 Payment pre-validation explained

Beneficiary Account Verification: Can you, the creditor agent, check if this account is able to receive funds? Optionally and dependent on the Data provider: Can you also check if this name matches this account?

1. Payment pre-validation:

2. Payment instruction:

API request

API response
Central service
Central Beneficiary Account Verification (CBAV)

Debtor agent (API consumer) → Swift (API gateway) → Creditor agent (API consumer)

1. Central Beneficiary Account Verification: Can you, Swift, check if this account is able to receive funds?

- Debt agent (API consumer)
- Swift (API gateway)
- Creditor agent (API consumer)

*Traffic from the whole community except those located in: AT, IT, CH
Overview of available central services

Central beneficiary account verification:
Can you, Swift, check if this account is able to receive funds?

Validate payment purpose code:
Is the payment purpose code present? If it is, does the code match one of the expected values? If it is not present, then it returns a list of valid codes.

Validate payment purpose:
Is the payment purpose code present? If it is, does the code match one of the expected values and the description the expected format? If both the code and the description are absent, then it returns a list of valid codes.

Validate amount:
Is the amount in line with currency number of decimals and in line with the payment MI specific amount limits?

Validate account format:
Does the account format (from IBAN to domestic, bank-specific format) match the expected formatting?

Validate category purpose:
Is the payment category purpose required, and if it is, does the purpose match one of the expected values?

Validate instructed institution:
Is the instructed institution (BIC or Clearing System Member ID) registered in SwiftRef as a financial institution?

Validate SwiftGo eligibility:
Does the payment satisfy the SwiftGo Rulebook eligibility requirements? If it does, then it returns payment predictability information.
Adoption numbers, including BAV and CBAV service coverage

- 297 Banking groups subscribed
- 50+ Banks Implementing
- 81 Live banks
- 16 Data providers live: HSBC, DB, Unicredit,…
Key points

Friction creates risks to manage due to lowered predictability of an account receiving funds

- A payment may not be credited on time, potentially incurring late fees
- A creditor agent may need to resolve issues with the payment, same for a debtor agent but (days) later
- Handling issues are often expensive manual processes to run and maintain

Swift’s payment pre-validation API services can address 65% of payment rejection root causes

There are two main types of pre-validation:

- Central validation driven by Swift managed datasources
- Data-provider collaborative validation driven by creditor/beneficiary banks

Swift is continuously looking to enhance the service by

- Expanding the number of validators
- Improving the quality of the validation results
<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Daily ISO</td>
<td>850,000+</td>
<td>Daily Average of 850,000+ ISO 20022 payment instructions are sent and received on FINplus service globally</td>
</tr>
<tr>
<td>Total Sender BIC8s</td>
<td>1050+</td>
<td>1050+ BIC8s sending domestic or international ISO 20022 messages on FINplus service globally</td>
</tr>
<tr>
<td>Total Receiver BIC8s</td>
<td>5450+</td>
<td>5450+ BIC8s receiving domestic or international ISO 20022 messages on FINplus service globally</td>
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<tr>
<td>Total Sending Countries</td>
<td>125+</td>
<td>125+ countries sending ISO 20022 messages on FINplus service</td>
</tr>
<tr>
<td>Total Receiving Countries</td>
<td>200+</td>
<td>200+ countries receiving ISO 20022 messages on FINplus service</td>
</tr>
<tr>
<td>Adoption Rate</td>
<td>20.3%</td>
<td>20.3% of payment instructions traffic has already shifted from FIN to ISO 20022 messages (pacs.002, pacs.004, pacs.008, pacs.009 &amp; pacs.009Cov)</td>
</tr>
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</table>
Swift will continue working towards a successful end to the coexistence period in November 2025, and calls on community members also to play their part.

**Swift Information Report IR 894:**

- Continued engagement with Top 175 customers to refine adoption forecast
- Global community engagement campaign and trainings
- Mandatory renewal of ISO 20022 Vendors Self-Attestation in Q1 2024
- Any commercial changes will be communicated in advance and will be phased in H2/2024 or 2025
Community engagement update
Bilateral engagement with key payments players

Customer consultations to create visibility on planned adoption for next 2 years

Q4 2023 2024 Nov 2025

Key takeaways
• Well-defined project for larger banks
• Significant ramp-up of pacs messages expected in 2024
• Mid-sized banks expected to migrate mostly into 2025
• Most working towards native adoption

Continue regular bilateral engagement throughout coexistence to
• Monitor progress against adoption forecast for payment origination flows
• Capture adoption plans for other dimensions like statements, rich data, …
• Assist banks to anticipate growth in adoption from correspondents
• Gather feedback and suggestions on any aspect of the migration
Following will be published along with the final Usage Guidelines:

- CBPR+ User Handbook SR 2024
- MX/MT equivalence table

Readiness portals:
- Readiness Portal
- Vendor Readiness Portal

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<tr>
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<th>Description</th>
<th>MT Formats</th>
<th>Flow</th>
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<td>MT 190 / MT 290</td>
<td>In-flow</td>
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Please note that there are 2 Usage Guidelines for camt.105 and camt.106 each as shown in the table above. In-flow translation will NOT be available for a multiple charges UGs for camt.105 and camt.106.
How to dive further: ISO 20022 for Financial Institutions – Support Page

One-stop shop for all technical specifications
Protected, requires swift.com login

- Readiness Documentation
- Product Documentation
- Learning resources
- Top Knowledge Base Articles
- And much more …
Questions
If you have any questions, please contact your Account Manager or raise a case via the Support page.