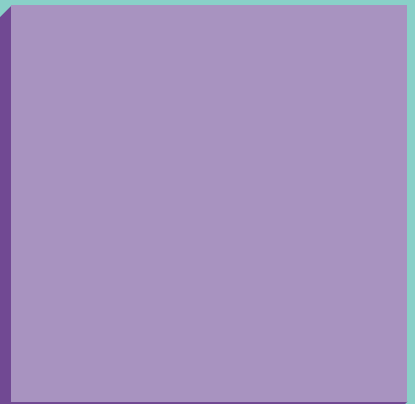
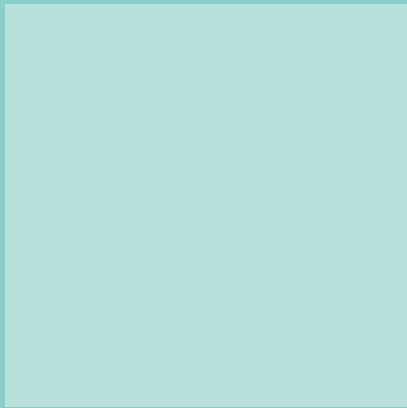


Intraday Liquidity Reporting – Survey findings

Industry status and the case for a common global approach



Executive Summary

The financial crisis highlighted fundamental weaknesses in the liquidity risk management of banks across the globe. This raised concerns among regulators about the ability of financial institutions to cover their payment obligations, particularly during periods of market stress.

In April 2013, the Basel Committee on Banking Supervision (BCBS) published a set of monitoring tools which focus on intraday liquidity monitoring and reporting. The monitoring tools set out in the BCBS paper require banks to assemble the necessary data to enable supervisors to have sufficient information to monitor banks' intraday liquidity risk, and their ability to meet payment and settlement obligations on a timely basis, under both normal and stressed conditions. The BCBS intends banks to start using the monitoring tools for reporting from January 2015, with full implementation by January 2017.

In response to this, SWIFT published a white paper in July 2014 titled '[Intraday Liquidity - The case for a pragmatic solution](#)'. This was followed by a survey sent to global market participants from across the financial industry, to evaluate industry status and to collect opinions on the need for collaborative initiatives that could help the industry progress more rapidly.

This paper provides a consolidated report of the results gathered from professionals in treasury, liquidity and cash management at financial institutions and also third party application vendors, consultants and central banks.

Highlights from the report include the following statistics:

- 68% of banks polled have initiated a project for the implementation of the BCBS intraday liquidity monitoring tools.
- 61% of respondents state that their Nostro transactions are not confirmed in real-time and 23% have the same issue for the high-value payments systems (HVPS) to which they are connected.
- 42% of respondents confirmed they currently don't have a global view of intraday liquidity usage for Nostro accounts held by their foreign branches.
- 74% of respondents will use credit/debit confirmations (MT 900/910) in the first instance to build their liquidity monitoring tools in response to BCBS requirements.
- 89% of respondents are supportive of a collaborative approach to reduce overall implementation costs for the industry and speed up issues resolution.

These conclusions confirm the need for a short term pragmatic approach both at the individual company and industry level. In order to be ready on time, this paper also provides information about existing solutions and collaborative initiatives supported by SWIFT to help address bank's intraday liquidity issues.

We also highlight that in response to the request of the SWIFT community, a specific date and time field will be included for message types MT 900/910 in the 2015 FIN release.

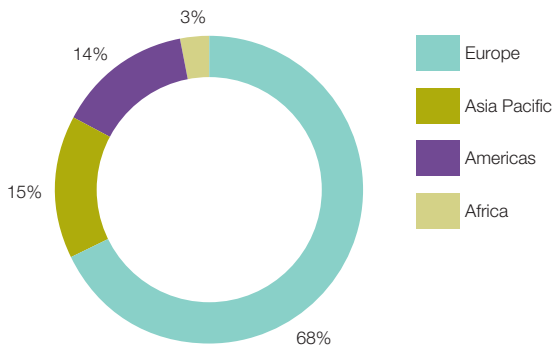
We hope this paper provides you with valuable insights for your own operations and the SWIFT team is happy to discuss this further with you.

Catherine Banneux
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Research demographics

The research results below are collated from a total of 150 industry professionals. 65 people responded to a written survey consisting of 10 questions, and a further 85 people answered a smaller set of questions by digi-voting during the Intraday Liquidity conference session at Sibos in October 2014. A detailed geographical profile for respondents is available for the written survey.

Although survey participants are global, the response from Europe has been much higher representing 68% of all responses – not a surprise considering the maturity of intraday liquidity regulatory activities in this region. The response rate for the Americas (14%) and Asia Pacific (15%) is very similar.



Survey population by geographical area

27 countries are represented in the survey results, most of which are directly impacted by the new tools published by the BCBS. Responses are however very concentrated among two front runners – the United Kingdom and the United States representing 27% of the total responses. This can be explained by the existence of strong regulatory frameworks for intraday liquidity in these geographies, even prior to the publication of the BCBS tools. Other countries where this topic is already on the agenda of the local regulators include Sweden, the Netherlands, Hong Kong and Singapore.

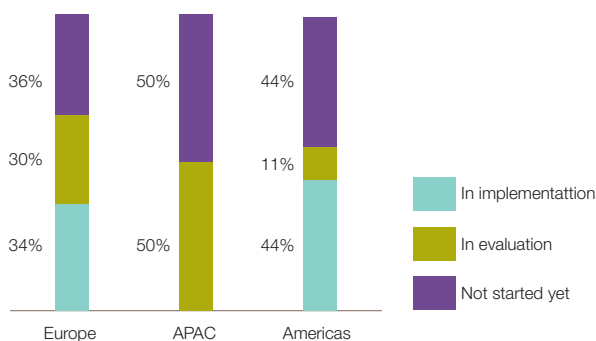
Survey results

68% of banks have already initiated a project related to the BCBS monitoring tools

Of this number, 37% have started the initial evaluation and 31% are in the implementation stage. In most cases the reason for not having initiated a project is that the bank is waiting for more detailed requirements from national regulators.

It is worthwhile noting that not a single respondent ticked the box “my home regulator has postponed the implementation deadline”.

Considering this, it is a surprise that the evaluation process has not already commenced among a large number of banks impacted by the BCBS, as the rules specify that banks should reach the full scope of the reporting requirements by January 2017 (conditional to the National regulator’s authorisation) which is only two years away.



BCBS Intraday liquidity monitoring tools - regional project status

As expected, there are substantial regional differences. 64% of European banks have either initiated or started implementing their projects, as opposed to only 50% of Asian-based banks that are in evaluation mode. At the same time 78% of banks that have started the implementation process are based in Europe and in North America – and it is no surprise to find many UK and US banks amongst them.

Most respondents are preparing for very broad reporting

Most of the respondents will have to report at three levels; as a direct participant to the payments clearing systems; as user of correspondent banking services; and as a provider of correspondent banking services. They will need to implement seven types of monitoring tools.

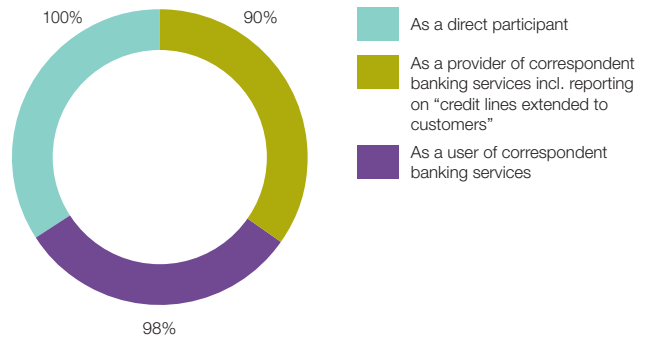
Applicability	Monitoring tools
All reporting banks	<ol style="list-style-type: none"> 1. Daily maximum intraday liquidity usage 2. Available intraday liquidity at start of business day 3. Total payments 4. Time-specific obligations
Banks providing correspondent banking services	<ol style="list-style-type: none"> 5. Value of payments made on behalf of correspondent banking customers 6. Intraday credit lines extended to customers
Direct participants	<ol style="list-style-type: none"> 7. Intraday throughput

Seven types of monitoring tools

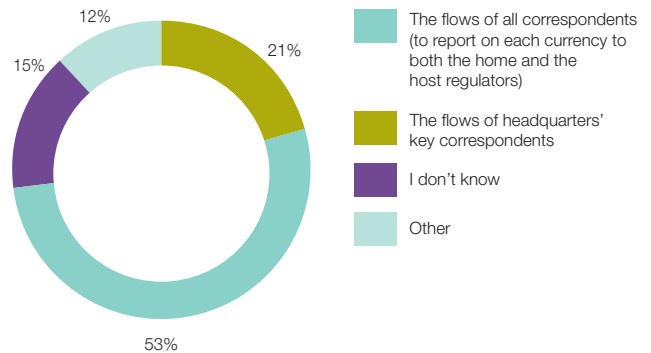
Out of the banks that will report as a direct participant, 73% are preparing to report on all flows related to all payments clearing systems for which their firm is a direct participant, while 15% are only preparing for the flows related to the headquarters' currency. It is worthwhile referring to the BCBS published text on this matter: "Individual banks should report on each High-Value Payments System (HVPS) in which they participate, on a system-by-system-basis."

There are definitely more uncertainties on the scope of reporting related to Nostro/Vostro flows: 31% of respondents don't know what will be the exact scope of reporting as a Nostro service provider, and 15% of Nostro service users are also unsure.

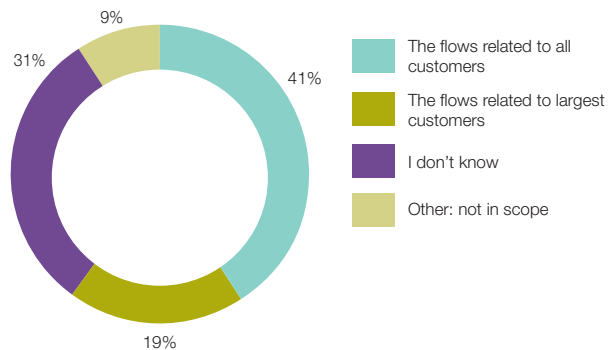
53% of respondents believe they will have to report on all flows across Nostro correspondents and currencies, while 41% are preparing to report on flows across all customers.



Three levels of reporting



Scope of reporting as Nostro service user



Scope of reporting as Nostro service provider

Individual banks should report on each High-Value Payments System in which they participate, on a system-by-system-basis.

Source: BCBS

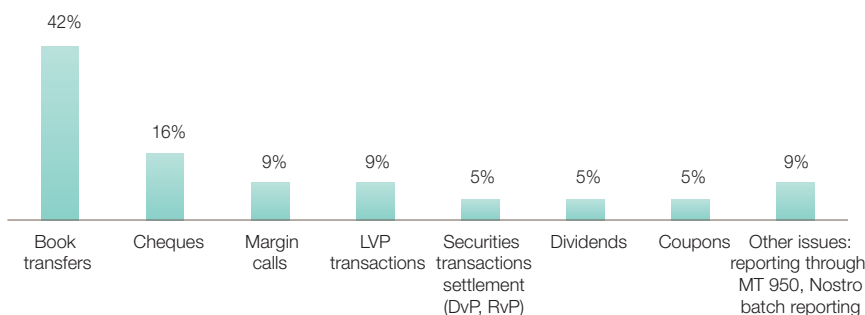
Financial institutions are facing common intraday liquidity reporting issues

Most firms, including some respondents from banks which have not yet started a project for the implementation of the BCBS tools, confirm they are facing important challenges related to the intraday reporting of their liquidity flows.

The share of liquidity movements confirmed in real time is too low for both their Nostro accounts (61%) and the high-value payments systems (23%) to which they are connected.

They seem to have even more issues with their internal service providers. 71% of concerned respondents declare that their internal clearing entities either do not provide any intraday reporting (35%), or that the percentage of transactions reported is too low (36%).

If coverage of intraday reporting is an overall issue, some types of transactions in particular are very rarely confirmed by Nostro service providers through debit and credit confirmations. Specifically three main issues were recognised: book transfers (42%), cheques (16%) and margin calls (9%).



Ⓐ Types of transactions very rarely confirmed on an intraday basis by Nostro Service Providers

It is worthwhile mentioning that 28% of respondents could not provide an answer to this more detailed question. This could be related to the fact that they have not yet started the evaluation phase of an intraday reporting project. In addition to the coverage issue, a number of participants also commented on the lack of standards in the timeliness and accuracy of the reporting.

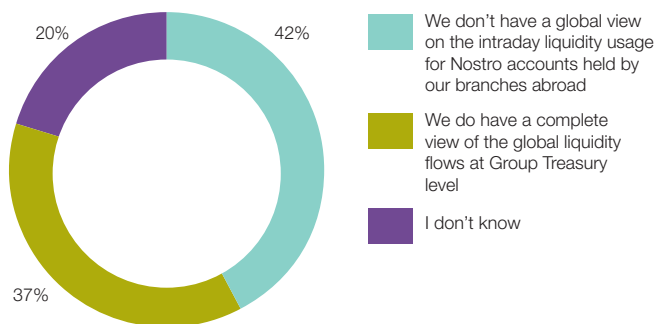
Data centralisation issues are preventing banks from monitoring their intraday liquidity flows globally

42% of respondents confirm they currently don't have a global view of the intraday liquidity usage for their Nostro accounts. This can be explained by a decentralised management of their Nostro accounts.

Therefore reporting at a global level either per Nostro service provider or at the level of each individual currency will be very challenging.

On the service provider side, 6% of respondents do not monitor usage of credit lines and 45% monitor customers' credit lines at local level. They therefore expect that the reporting at a global level of the usage of intraday credit lines extended to their customers will be very challenging.

49% of the respondents confirm that they monitor credit lines usage at the global level. However, it is unclear whether this concerns all types of credit lines including uncommitted and unsecured credit lines that also need to be reported monthly.



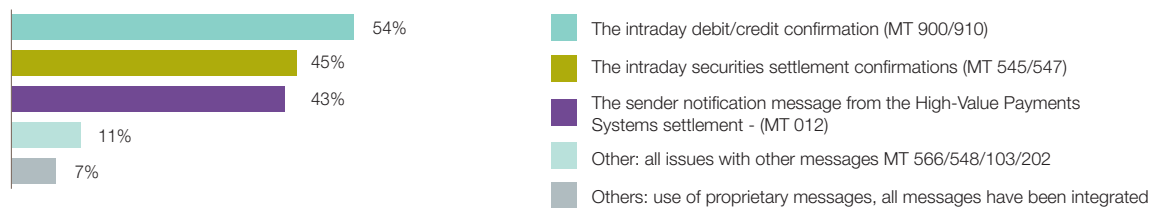
Ⓐ Current view of the global liquidity flows at Group Treasury level

Banks are facing common data integration challenges and are planning to adopt a consistent approach to building liquidity dashboard

87% of respondents understand at least at a high level that they have data sourcing issues. Many report that they have not yet integrated a number of intraday reporting messages in their intraday liquidity dashboard.

The top two types of transaction not yet integrated in a liquidity dashboard are credit/debit confirmations – MT 900/910 (54%), and intraday securities settlement confirmations – MT 545/547 (45%). To date, many banks have managed their liquidity forecasting based on their own internal projections, not on the basis of their service providers real-time confirmations.

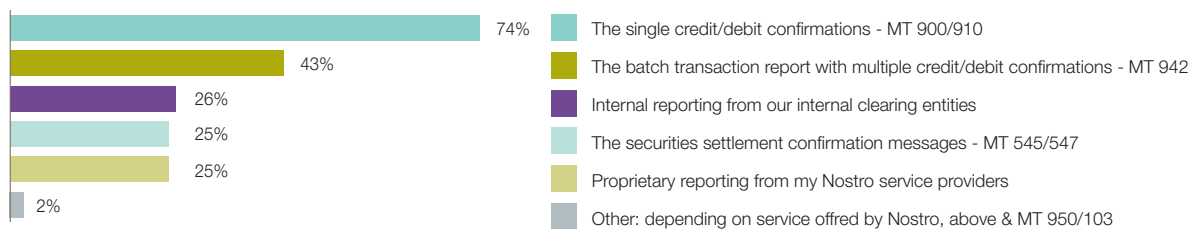
In third position, Notification messages – MT 012 (acknowledgement of settlement) received from High-Value Payments Systems (HPVS) have not been integrated by 43% of the banks. Obviously this is an issue as BCBS guidelines require that banks will have to report on each payment system to which they are connected.



Types of transactions not yet integrated in liquidity dashboard

This highlights a need to act – although these message types are not yet integrated, 83% of respondents intend to use them as a basis for their liquidity dashboard/monitoring tool.

74% will primarily use debit/credit confirmations (MT 900/910). Many will complement with other FIN message types (i.e. MT 545/547, MT 942) and also with the reporting from their own internal entities (26%) or proprietary reporting from their Nostro service providers (25%).



Types of transactions that will be used for the BCBS reporting as a user of correspondent banking services

Industry collaboration will be key to support the implementation of the BCBS intraday monitoring tools

The fact that the planned approach to data sourcing appears to be consistent is rather reassuring as this confirms the feasibility of developing common business practice for implementation of the BCBS monitoring tools.

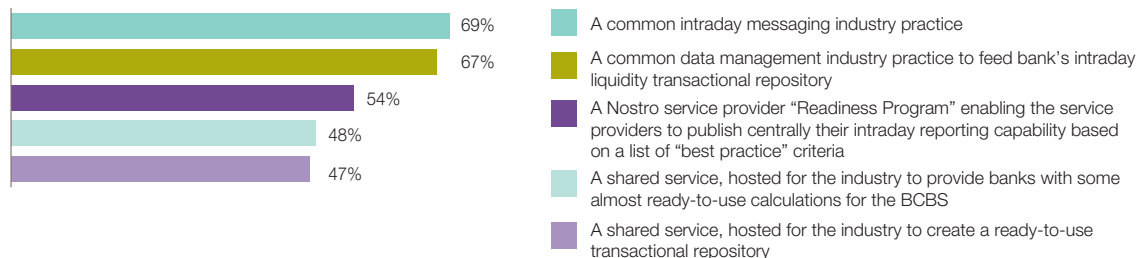
89% of respondents are very supportive of a collaborative approach as it will help reduce the overall implementation cost for the industry and increase the pace at which intraday liquidity data challenges can be solved.

Responding to questions on the highest priorities for the industry, 69% selected a common intraday messaging practice, and 67% wanted data management best practices – namely best practices on data extraction, matching and aggregation to feed the intraday liquidity transactional repository used as a data source for the regulatory reporting.

Using a common approach at this level should help to ensure consistency between the different entities of a group, between service providers and service users, and also help to establish constructive dialogue with regulators.

54% of respondents support the introduction of a “Readiness Program” enabling service providers to publish their intraday reporting capability centrally based on a list of best practice criteria. Ultimately industry practices developed for intraday liquidity could be leveraged by service providers to lower their development costs independent of the communication channel used, and increase the benefits for their customers – especially for those using several account servicing institutions.

Finally a number of participants are positive about the **development of an industry shared service** to support banks in their data collection (48%) or even in the calculation of measures to be reported (47%).



4 Collaborative initiatives to support industry implementation of BCBS tools

Finding a way forward — how can SWIFT help?

The results of the survey confirm the need for a short term pragmatic approach both at the individual and industry level. In order to be ready on time for the BCBS deadline, this section of the paper provides information about existing solutions offered by SWIFT to help address banks' data issues and collaborative initiatives that have been started or that will be initiated in the short term.

Data sourcing – MT 900/910 with a time indication for the debit/credit entry as from 2015

The BCBS tools do not require real-time management of liquidity positions, but rather the availability of timed information on all individual liquidity entries. The accuracy of the monthly measures will therefore very much depend upon the delivery of a debit/credit confirmation by either the account servicing institution or the payments settlement system for each movement on the account.

74% of respondents will primarily use the MT 900/910 single debit and credit confirmation message. In support of the real-time liquidity reporting function and in response to the request of the SWIFT community, the field "13D-Date/Time" will be included for message types MT 900/910 in the 2015 FIN release. This means that instead of using the message time stamp as a basis for the balance calculation, service users should be able to use the data from field 13D populated by their Service Provider to indicate the date, time and time zone when the entry is posted to the account, in the books of the account servicing institution.

43% of respondents intend to use the interim transaction report (MT 942) to build their intraday liquidity dash board. Even though only 3% point to this message as a primary data source, we would like to draw attention to the fact that it will not adequately serve the liquidity function as it cannot be used by the account owner to calculate its position on a "minute by minute" basis. It is typically not sent in real-time, and reported transactions are batched under the same time stamp. Net position calculations at specific times of the day will therefore not represent reality as all debit and credit entries will be aggregated.

Calculations made on some individual accounts using MT 942s demonstrated that the impact on the liquidity usage curve calculation can be substantial, especially if the frequency of the report is low and the amounts are high.

SWIFT consulting – on-site data analysis and assessment

87% of respondents have a high-level understanding of their intraday data sourcing, collection and integration issues. A large majority also know the type of data they will use to build their BCBS monitoring tools and liquidity dashboard. As 74% will primarily use MT 900/910, this suggests that banks which have not begun their evaluation process should start without any further delay to define a potential data model, confirm their data sourcing and run an in-depth data gap analysis to be ready in time for the reporting to their home and host regulators.

SWIFT has already supported many banks in this data assessment process. As a first step SWIFT examines the distribution of the bank's intraday liquidity flows between its different entities and identifies the top correspondents and overall reporting gaps at group level. Data is collected using SWIFT Watch, SWIFT's Business Intelligence solution.

Based on these results, SWIFT's consultants then run an on-site in-depth data gap analysis for a representative number of accounts pre-agreed with the bank. The aim is to measure current reporting coverage in value and volumes of all inflows and outflows, identify the types of transactions not reported on an intraday basis, the missing data from the reporting, or the data not yet integrated internally.

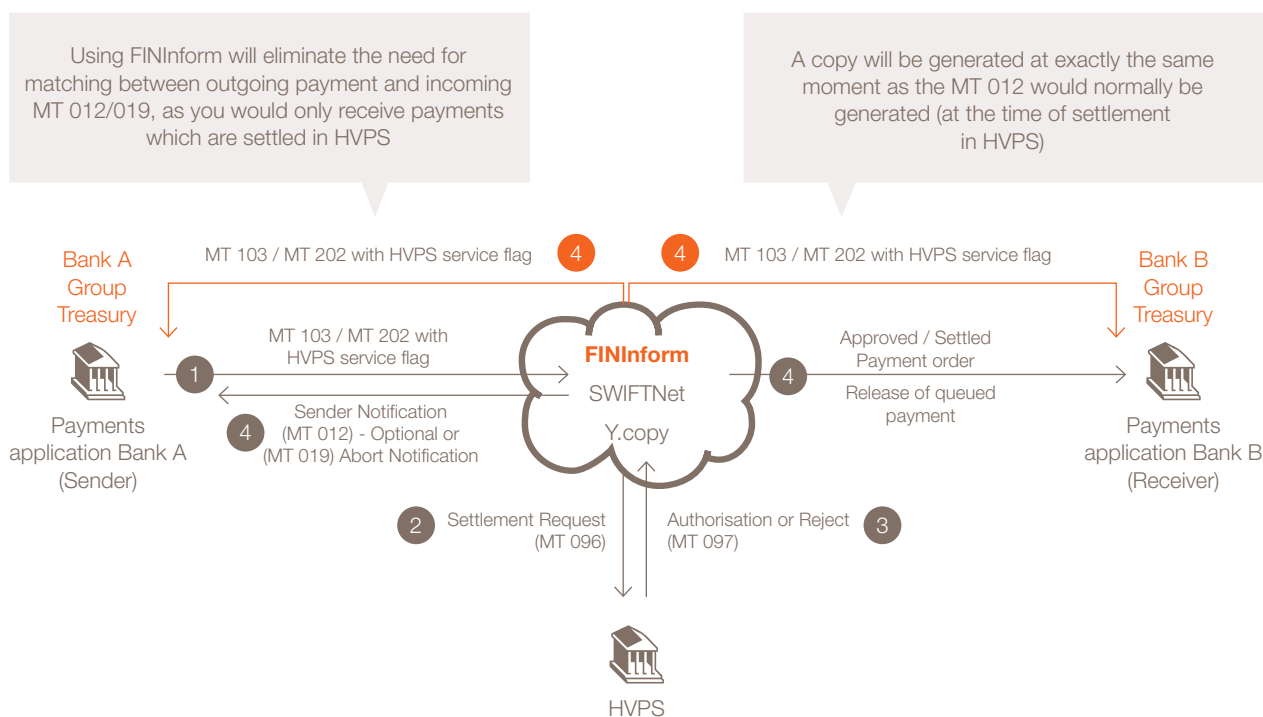
SWIFT then provides a detailed report on the bank's intraday liquidity data completeness and detailed insights on the data gaps. This enables the bank to agree precisely with its service providers on the necessary improvements. In addition, SWIFT works with institutions to jointly define business rules for handling reporting flows and to address data quality issues from providers.

FINInform – the use case for banks that have not integrated the HVPS notification message

43% of respondents have not integrated the notification message from HVPS system(s) to which they are connected. Some banks have integrated this message in their payments application but not in their liquidity dashboard, while others have simply not activated this reporting functionality at all. In addition many HVPS do not provide a real-time debit confirmation service, which could serve as a substitute of the notification message.

With FINInform, SWIFT sends a copy of the original payment instruction in real-time to the Group Treasury BIC of the bank at the moment that the MT 012 confirming settlement is sent out to the sender of the payment. This also corresponds to the same time at which the payment message is released to the counterparty. In this case, the copy will be considered as a debit confirmation. The same principle can be applied on the bank receiver side. The copied message is then considered as a credit confirmation.

FINInform will therefore eliminate the need for integration of an additional message type (MT 012) in the liquidity dashboard and avoids the need to match outgoing payments and incoming MT 012 and MT 019. In addition, the solution serves as a data collection mechanism for which the bank doesn't have to change any of its operational processes or intervene in the payments process.

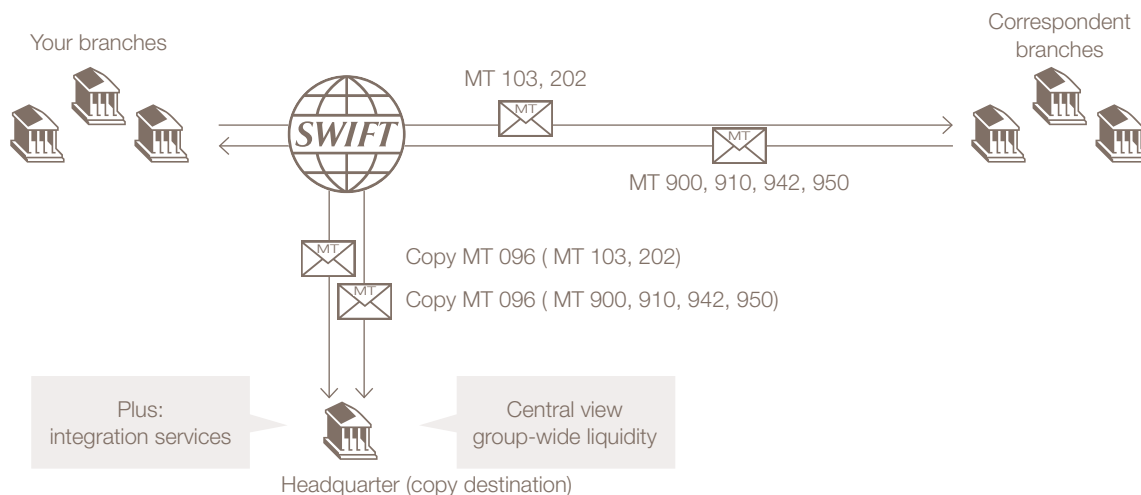


FINInform – the case for banks to centralise Nostro intraday liquidity data

42% of respondents confirm they currently don't have a global view of the intraday liquidity usage for Nostro accounts held by their foreign branches.

FINInform can be used by banks to collect payments and intraday reporting data from any of their branches centrally at Group Treasury level in real time, without any impact on their operations or on their counterparties.

The copy mechanism mentioned on previous page is also used. The service is set up by SWIFT based on the specific criteria defined by the bank, and for countries with strict data confidentiality or privacy regulations the bank can decide to not copy specific customer data.



Collaborative initiatives

SWIFT is already working with the industry to help resolve intraday liquidity data issues and to support banks towards a cost-effective implementation of intraday monitoring and management tools.

LITF rule book – to create a common industry business practice

SWIFT has been supporting the Liquidity Implementation Task Force (LITF) with the development of an intraday liquidity reporting rule book aimed at creating and supporting the adoption of common industry business practices for intraday liquidity messaging. It provides common usage guidelines for FIN message types that are most used by the industry (FIN Cat 9, complemented with Cat 5 messages). SWIFT will continue to evolve the rule book to ensure it reflects standards changes and the evolution of best practices and regulatory requirements.

Data management industry practice

SWIFT, together with a group of banks and broker dealers, has documented a 'best practice' on data extraction, data matching and data aggregation to feed the intraday liquidity transactional repository used as a data source for regulatory reporting. It will be further developed during 2015.

Service providers' Readiness Program

SWIFT is evaluating a potential service providers' Readiness Program based on the best practices supported in the LITF intraday reporting rule book.

Industry shared service

At this stage, SWIFT is not developing any centrally hosted solution to support banks in their data collection or in the calculation of the measures to be reported.

Instead, SWIFT has already developed an on-site solution covering a bank's intraday liquidity transactional repository and an intraday liquidity monitoring dashboard based on SWIFT messages and on the existing LITF and data management best practices. This solution is now in place in a number of firms in the UK.

This offering, which focuses on retrospective monitoring, will be further developed in the coming months with a view to providing a standardised solution for the industry which supports different regulatory requirements. The goal is to decrease implementation time and cost for all concerned.

This solution is aimed towards organisations that are not implementing a real-time management solution in the short term.

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