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Introduction: Deepening and widening our collaboration with market infrastructures

Welcome to the third edition of MI Forum magazine. The publication is one measure of the importance SWIFT attaches to market infrastructures, not just because they are valuable customers, but because they serve the whole community and underpin every transaction that takes place in the payments and securities industries. This issue also marks the third anniversary of the establishment of a team dedicated to market infrastructures at SWIFT. In that time, both our users and the Board have become convinced that SWIFT should not only maintain its focus on market infrastructures, but deepen it. This publication offers a glimpse at some of the ways in which we are doing that.

The financial market infrastructures (FMIs) that are so essential to both the payments and securities industries are undergoing significant structural changes. The integration of FMIs at the regional level was pioneered in Europe with the creation of TARGET2 (T2), and more recently the Single Euro Payments Area (SEPA) and TARGET2-Securities (T2S). Those infrastructural initiatives have led the way for the Integrated Latin American Market (MILA), the Southern African Development Community (SADC) and also, as this issue of MI Forum magazine records, the financial and banking integration

frameworks launched by the Association of Southeast Asian Nations (ASEAN).

With 79 Real Time Gross Settlement (RTGS) systems and over half of the 150 central securities depositories (CSDs) in the world now on our platform, SWIFT is not merely a witness to structural change, but a facilitator of it. In fact, as systemically important institutions, what FMIs want first and foremost from SWIFT is that it maintain the highest standards of operational excellence and availability on their behalf. Our classic messaging services are proving

easily adaptable to new uses, such as collateral management. Our store-and-forward capabilities provide reassurance and flexibility. Above all, amid mounting anxiety about cyber-security, SWIFT provides FMIs with the highest levels of security and resilience.

SWIFT continues to invest in enhancing its services

But in an age of sweeping structural change and fast-evolving competitive and security threats, SWIFT cannot meet these expectations without continuing to innovate and invest in new technology and services. This is why we have developed new messaging and integration services for T2S users; introduced a new payments risk management service for central banks called SWIFTScope; formed the SWIFT-for-India joint venture; delivered an ISO 20022-enabled high-volume messaging channel that can be used, for example, by CLS members; developed a Market Infrastructure Resiliency Service (MIRS) for RTGS operators; and encouraged the use of products like MyStandards to help FMIs with their roll-out of standards, including ISO 20022.

It is impossible to overstate the importance of ISO 20022 in the market infrastructure space. As a message standard, it is of course at the heart of what SWIFT does.

After a slow start, ISO 20022 is now firmly established among FMIs, as the Russian CSD, the National Settlement Depository (NSD), notes in this issue. However, the growing success of ISO 20022 is due in large part to its open status, and an unfortunate side-effect of this openness is the risk of a proliferation of multiple versions in the marketplace. But, as Andrew White writes in this issue, FMIs have now recognized this risk, and have started work to harmonize the use of the ISO 20022 standard: at Sibos Singapore, they will jointly sign a charter to commit to a consistent use of ISO 20022.

RT-RPS opens new business possibilities far beyond payments

This is the kind of work that SWIFT is well placed to facilitate. As Kjetil Heltne of Norges Bank points out in this issue, users of SWIFT services expect us not only to improve connectivity between FMIs, but also to improve the services we provide already. Even our newest business venture in the infrastructure space – the support that we are offering to payments market infrastructures (PMIs) that want to offer real-time retail payment services (RT-RPS) - fits into this pattern of building on existing services.

We have begun to build the RT-RPS infrastructure for the New Payments Platform in Australia (NPP). This is exciting for SWIFT, not just because it is a new business for us, but because we believe the underlying technology we are building for Australia has the potential to be redeployed in other geographies and markets.

That is why we are devoting so much space to RT-RPS in this magazine, with contributions on the subject from both a practitioner (Mark Buitenhek, global head of transaction services at ING) and a regulator, (Yves Mersch, a member of the Executive Board of the European Central Bank (ECB)), as well as through a series of interviews with leading figures in the payments industry, and a question-and-answer summary of our own thinking on the topic.

It takes people, not platforms, to collaborate

The possibilities opened by RT-RPS technology are genuinely inspirational. Yet, however stale it sounds, FMIs are ultimately driven not by technology but by people, and especially by people determined to make a difference. Christine Cumming, formerly of the Federal Reserve Bank of New York, and Lisa Lansdowne - Higgins, of the Royal Bank of Canada (RBC), who

are both profiled in this issue, are certainly examples of such people. But then so, in their different way, is everybody who has contributed to or been interviewed in this issue.

Engaging with the people who want to make a difference to the payments and securities industries will be an integral part of our strategy over the next five years. At SWIFT, collaboration with our clients is more than a buzzword. We already host regular joint meetings with our clients' staff, and we are now experimenting with exchanging employees to improve our understanding of what it is actually like to be a SWIFT customer.

This magazine is of course also a way to share knowledge, information and understanding with our clients. It is based on the belief that, the more we share, the more effectively we will work together. I hope you enjoy reading it as much as we have enjoyed creating it.



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