

SWIFT for high-value payment market infrastructures

– Messaging solutions for high-value payment clearing and settlement systems worldwide





*Resilient and
secure operation
Increased efficiency
Universal reach*

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Messaging solutions for high-value payment clearing and settlement systems worldwide

Benefits

- Resilience and security
- Increased business and operational efficiency
- Reduced risks
- Increased straight-through processing (STP)
- Cost efficient offer supporting transaction processing, liquidity management and reporting management.
- Global and community reach

High-value payment market infrastructures provide predictable and secure multilateral payment services to a community. They focus primarily on systemic risk and aim to optimise risk and cost trade-offs.

Today, SWIFT is an established force in clearing and settlement.

SWIFT is the messaging hub for a large number of clearing and settlement systems in payments, securities, foreign exchange and derivatives. In payments, more than 60 clearing systems, varying in size from 500 to over 300,000 payments per day, rely on SWIFT for the secure messaging, connectivity and common message standards essential to their smooth and cost efficient operation.

Resilience and security

Financial institutions and regulators continue to seek better control of the risks associated with the explosive growth in the value of trading. Globally, risk managers are being asked to measure, monitor and reduce exposure.

In response, industry associations and central banks have developed market infrastructures for clearing and settlement in payments, securities, foreign exchange and OTC derivatives. Because they are multilateral, these market infrastructures need a trusted third party to provide secure and resilient messaging solutions. Proven reliability, availability and resilience make SWIFT a first choice when choosing a financial messaging service provider.

Cost efficiency

SWIFT, as a single-window connection, allows both financial institutions and central banks to optimise their investments by re-using the same connections, standards and well-proven solutions. By relying on SWIFT's offerings, they also leverage a ready-to-use straight-through processing platform with extensive community reach. High-value payment system operators avoid the development costs of a proprietary solution and the complexity of operating disparate systems.

Payment systems are never identical, although they have core similarities. SWIFT's strategy is to offer messaging solutions based on proven components that integrate with existing SWIFT connections, yet can be configured to the requirements of each environment.

Optimised intra-day liquidity management

Intra-day interactive liquidity control is the main way for participants to manage the liquidity and the collateral associated with a high-value payments market infrastructure. SWIFT for high-value payment systems supports real-time cash management flows in a user to-application or application-to-application mode.

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“More than 60 high-value clearing and settlement systems rely on SWIFT for the common message standards, highly secure and resilient messaging and connectivity essential to their smooth operation.”

Overview

SWIFT accommodates the various message and information exchanges required by high-value payments clearing and settlement systems:

- Transaction input, where accuracy, security and archiving are essential, such as for payments and acknowledgements. The store-and-forward messaging services, FIN and InterAct, are ideal for these types of exchanges. FIN can be supplemented by FIN Copy.
- Liquidity management, where speed and throughput are essential. Browse and InterAct are ideal for these types of interactive information exchanges.
- Report management, where volume and flexible structure are essential. FileAct is ideal for exchanges of batches of structured financial messages and large reports.
- Generic communication, where secure and efficient person-to-person communication of sensitive information is essential, Mail is ideal for such exchanges of secure e-mail across SWIFTNet.

- Closed User Group (CUG), where membership, service parameters and operational guidelines need to be well managed, a CUG is an ideal environment to exchange specific information between group members.

Transaction input

FIN Copy ‘Y’ topology

In the ‘Y’ topology using FIN Copy, Bank A sends its payment messages to the receiving Bank B. A partial or complete copy of the message is sent to the market infrastructure, which will clear and settle the payments before authorising - or preventing - their delivery to the addressee.

This decision can be based on various elements defined in the central application:

- Dynamic business data, such as a user’s account balance
- Multilateral pre-agreements among the user community
- Message content

High-value payment market infrastructures gain the following benefits from using FIN Copy:

- The market infrastructure can process a shorter message in a simpler manner, where the banks work on the complete set.

- Commercial information does not need to be copied to the market infrastructure.
- There is little operational change needed for the sender or the receiver. This reduces the risk of error and related costs.

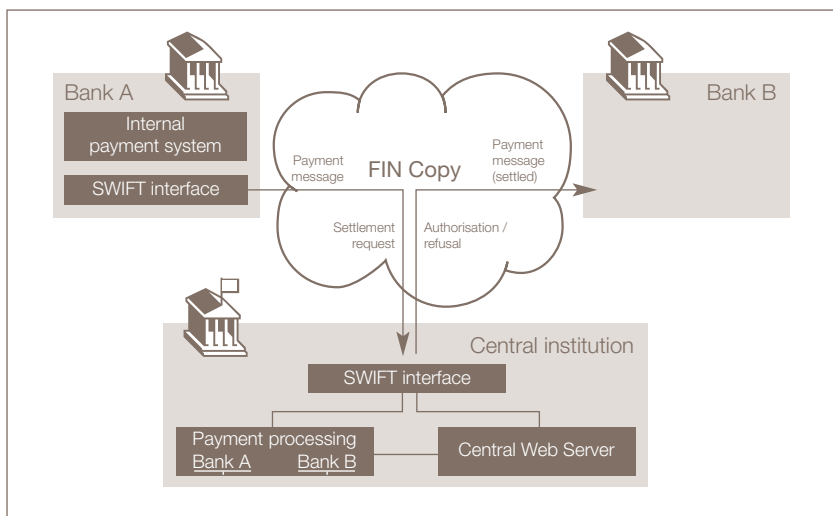
FIN and InterAct ‘V’ topology

Another payments clearing option is the ‘V’ topology using FIN or InterAct messaging services. With the ‘V’ topology, Bank A sends its payment messages to the market infrastructure which will clear and settle them before forwarding them to Bank B.

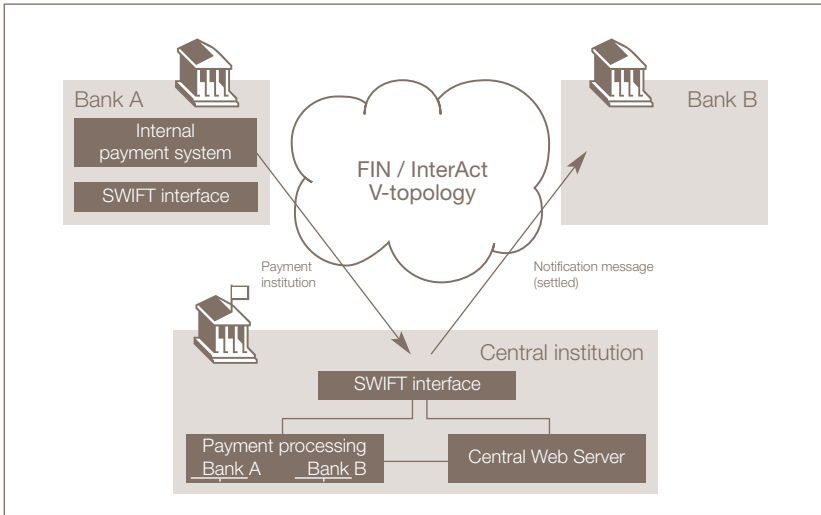
FIN supports a wide range of FIN message types (MTs), while InterAct supports the ISO 20022 messages types (MXs). Both services enable fast and secure transaction exchange between participants and their market infrastructure.

FIN and ISO 20022 messages are internationally accepted standards. Their confidentiality, integrity and authenticity are ensured by means of:

- security of transmission, delivery and message storage
- encryption of user data within the system, both in transit and in storage



▲ FIN Copy Y topology



FIN / InterAct V topology

Interactive information exchange for liquidity and report management

Clearing and settlement systems continue to evolve, mainly by providing their members with operational information through (a) online access to central applications for liquidity operations and other control parameters and (b) reference data and various reports on business, operations, regulation and statistics.

- InterAct in addition to the transaction input, provides interactive exchange of instructions between counterparties. Participants can, for example, transfer funds between accounts, change priorities of queued payments, and modify intra-day credit limits to better manage liquidity and collateral throughout the day in real time. The instructions can be easily integrated into users' back-office applications. This exchange of information can be done in a completely standardised way by using SWIFT XML standards.
- Browse provides secure browsing to access the market infrastructures to instantaneously monitor current positions of their settlement account, foreign exchange and credit risk exposures, and monitor their transaction flow and status.

- FileAct provides a cost-effective way to transfer bulk payment files in different formats, proprietary or ISO 20022, to the participants. Typically, This will benefit high-value payment systems requiring the processing of multilateral payment files (for example for ancillary systems) or bulk payment files (for example those market infrastructures which wish to merge retail and high-value payments clearing and settlement components onto one single platform).

Furthermore, a file header copy service can provide a summary payment information of a bulk payment file to a netting system or a settlement entity (such as a real-time gross settlement system), to allow faster clearing and settlement of retail payments through a high-value payment system platform.

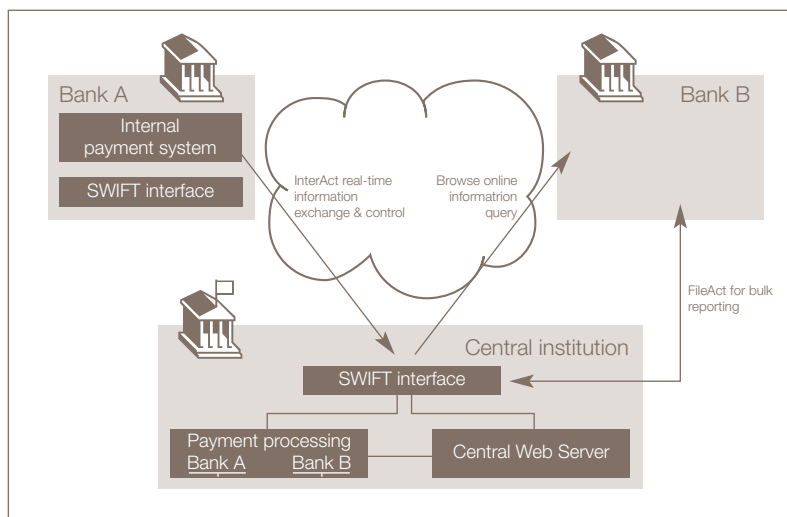
In addition, business, statistical and operational reports can be exchanged within the community using FileAct.

Closed User Group

A key feature of SWIFT for high-value payments clearing is the ability to set up a Closed User Group (CUG) to exchange specific information limited to group members.

Service package

SWIFT offers a series of services that support market infrastructures during each of the key phases of their project: solution selection, solution implementation, and solution operation. SWIFT or SWIFTs partners and technical experts support the market infrastructure during these critical phases of the market infrastructure project.



Transaction monitoring flow

Benefits for market infrastructures

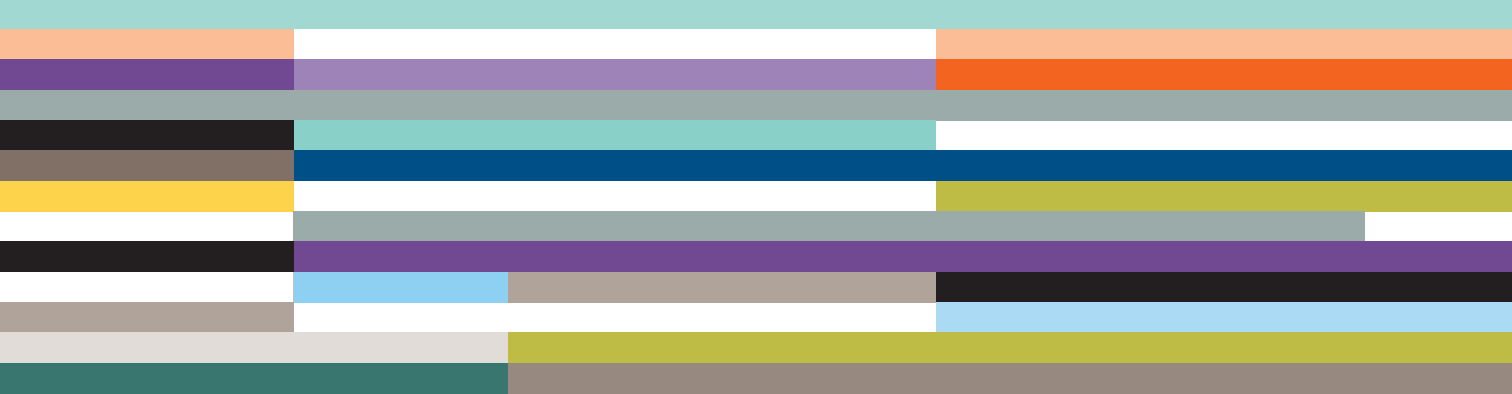
- High resilience and security: SWIFT has one of the highest levels of security and resilience, with 99.999% of uptime. In addition, SWIFT is overseen by the central banks of the G-10 countries, with the National Bank of Belgium, the central bank of the country in which SWIFT's headquarters are located, as lead overseer of SWIFT. SWIFT is overseen because of its importance to the smooth functioning of the worldwide financial system, in its role of provider of messaging services.
- Cost reduction: market infrastructures and their participants avoid the development costs related to a proprietary communication solution and leverage SWIFT's global economies of scale. SWIFT also provides a future-proof solution, ensuring technology upgrades over time.
- Time to market: new services can be made available rapidly to the entire SWIFT community or to a selection of financial institutions within a Closed User Group. There is no need to define, implement, test, roll out and support a proprietary and secure communication solution.
- Risk reduction: SWIFT is already used to provide access to mission critical services. SWIFT has gained experience in numerous industry-wide programmes, such as TARGET2 (Eurosystem), EURO1/STEP1 (Euro Banking Association), LVTS (Central Bank of Canada), and MEPS+ (Monetary Authority of Singapore).
- Industry standard solution: by adopting SWIFTNet, market infrastructures and their users benefit from compatible application software and off-the-shelf connectivity products.

- Focus on core service: SWIFT enables the market infrastructure to focus its investments and resources on its core services by taking advantage of an industry-owned messaging infrastructure.
- Comprehensive solution: SWIFT's compelling offer for high-value payment systems supports all key business functions with appropriate messaging, standards and connectivity products or services that are simple to use and easy to implement.

Benefits for participants

- Cost reduction: Most financial institutions need to access a large number of services mandated by the regulators, to access the service providers. SWIFT offers single-window access to those institutions with the same communication infrastructure that can be reused many times.
- Business flexibility: a standard SWIFT access infrastructure introduces flexibility in doing business. Joining any new service or changing provider remains a pure business decision, and is not constrained by the need to learn, invest in and implement yet another communication channel.
- Independence from service providers: selecting a financial service provider connected to SWIFT is also a pure business decision. SWIFT facilitates moving rapidly from one service provider to another if deemed necessary.
- Trusted third party service: To facilitate dispute resolution, non-repudiation may be invoked when exchanging data over SWIFT, with SWIFT playing the role of trusted third party.

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