Benefiting from Global Standards

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Agenda

1. What are SWIFT and global standards?
2. Who is using SWIFT and global standards?
3. What does it really mean?
   What are we seeing in the industry?
4. What are the benefits and considerations to using SWIFT and global standards?
5. Dispelling the myths
6. How do I start?
7. What does success look like?
About SWIFT

- Cooperative serving the financial industry since 1973
- Provider of financial messaging services with robust security
- Financial standardization organization
- Provider of reference data

11,000+ Customers in more than 212 countries

20M+ Messages per day

99.999% Availability

Source: SWIFT: How can SWIFT work for you? Aug 2014
SWIFT Products, Solutions, and Initiatives

- SWIFT for Corporates
- Messaging (FIN, FileAct)
- CGI XML
- My Standards
- SWIFTRef
- EBAM
- eStatements
- 3SKey
- Trade/BPO
- KYC and Compliance
- Business Intelligence
- GPII
Standards:
The Basic Ingredients of Treasury Automation

Format
- X12
- EDIFACT
- ISO 20022 XML

Security
- Privacy
- Identity
- Integrity
- Security

Communication
- Established connectivity standards (SFTP, HTTPS, AS2, etc.)
- Utilize out of the box connectivity with ERP or TWS providers.
- Rationalize via a direct connection to the SWIFT network.
SWIFT: A single standardized gateway

Multiple bank channels

- High cost
- No global visibility on cash
- Impossible to centralise
- Challenge of multiple connectivity channels and formats

Single, standardized gateway

- Lower cost
- Transparency and view on cash
- Increased control and security
- Reduced risk

Source: SWIFT: How can SWIFT work for you? Aug 2014
One connection, all banks, any file format

**FileAct** (any other format)
- ISO20022 / XML (camt)
- Any format (BAI2, CSV, etc.)

**FIN** (all MT messages)
- End-of-Day Statement (MT940)
- Intra-day Statement (MT942)
- Credit/Debit Confirm (MT900/910)

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**Cash Management**

- **TMS**
- **Trade**
- **ERP**

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**Integrate**

**Messaging**

**Payments**

**FIN**
- Trade Messages (MT3XX)
- Securities (MT5XX)
- Payment instructions (MT101)

**FileAct**
- ISO20022 / XML (pain) / ISO15022
- Any format (EDI, NACHA, CSV, etc.)
- High and low value payments
How do I make this international payment? How do I prevent rejects and returns? Data validation to enable straight thru processing

Who is the AUD-correspondent of China Everbright Bank?

What is the CHIPS ID of Zion First National Bank?

Is it a bank holiday in Canada?

Is this SWIFT BIC still active?

What is the SWIFT BIC of Banco Real in Argentina?

Is this IBAN valid?

Where can I find the currency code for the Colombian Peso?

What is the national clearing/sort code of Bank of Thailand?

What is the financial situation and credit rating of Oberbank in Austria?
SWIFT Reference Data

- Single source for all bank reference data
- Automate data entry, validation, and maintenance
- Reduce research time and costs of rejections/returns

- 420,000 Standard Settlement Instructions
- 300,000 LEIs
- 800,000 National bank identifiers (152 countries)
- 250 Country codes
- 179 Currency codes
- 300,000 LEIs
- 140,000 local language codes
- 18 SEPA Clearing Systems
- 110,000 BICs
- Bank holidays
- Credit ratings
- Payments Routing information
- IBAN data of 64 countries, including 34 SEPA-countries
Benefits of global standards

- Universal format
- Ease of implementation
- Prepares for global expansion
- Data management – from “big” data to “better” data
- Supports automation
- Redeploy resources to more strategic planning
- Lower costs – eliminate data portals, duplicate data downloads
- Provide enhanced controls and compliance
Who is looking to use SWIFT or global standards?

- U.S.-based company who:
  - is looking to streamline
  - is expanding in Asia and Europe
  - uses 3 banks and multiple connection points
- U.S. subsidiary whose parent company already uses SWIFT
- Others....
But also....

I’m being asked to reduce costs and to eliminate redundant access, downloads, and reports.

We are upgrading our ERP system and our vendor has this “SWIFT” module.

We are in an RFP process to look at SAP, Oracle, or another system.

We are thinking about expanding globally.

We need to automate file generation and receipt that supports risk and controls.

We are expanding our business into a new country and we are not sure where to start.

We want to improve our processes.
Why should I consider global standards?

We’re all being asked to do more with less, think strategically, and optimize how we do things.

**Cost savings**
Optimize and standardize the formats you use to send payments, receive information, and reconcile

**Standardize**
Use one format instead of multiple connection points and formats

**Expansion**
Changing to a global standard allows easier expansion to other countries since countries outside the U.S. do not use BAI or NACHA
What’s happening in the industry with standardization

- Single Euro Payments Area (SEPA) payments must be initiated to/from accounts in the Euro zone
- NACHA is working on support for ISO 20022 XML
- Global support for ISO20022 XML
- Global interoperability
- TARGET2 (Euro zone) is planning phased implementation of ISO 20022
- Regulation, industry consensus and customer demand key factors
- Canada Payment Association (CPA) and U.S. Federal Reserve are working on how/when to support ISO 20022 XML

ISO format is becoming the global standard
Benefits and considerations

- More effective management of global cash and financial transactions via standardized and centralized process
- Lower total cost of ownership for communicating with banking partners
- Enhanced straight through processing and automatic reconciliation
- Supports global regulatory compliance and reporting
- Standardization and global business process

- Need for upfront costs to update systems, map data and new formats
- Willingness to do things differently
- Ability to send and receive transmissions
# Dispelling the myths

<table>
<thead>
<tr>
<th>Myth</th>
<th>Reality</th>
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<tbody>
<tr>
<td>Only for banks</td>
<td>Network with robust security connecting the global financial community (including corporations, banks, securities firms, and market infrastructures)</td>
</tr>
<tr>
<td>Costs are high</td>
<td>SWIFT offers cloud-based solutions for low costs</td>
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<tr>
<td>Only for international flows</td>
<td>Domestic and international transactions supported</td>
</tr>
<tr>
<td>Only supports SWIFT standards</td>
<td>Carries SWIFT and non-SWIFT formats securely</td>
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<tr>
<td>Only for publicly listed companies</td>
<td>For public and privately-held companies sponsored by members</td>
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<tr>
<td>Only for very large companies</td>
<td>41% of corporate members have &lt;$1B in revenue</td>
</tr>
<tr>
<td>ISO 20022 XML is plug-and-play</td>
<td>While there is ease of use and flexibility with ISO 20022 XML, it is not as easy as just starting</td>
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<td>ISO 20022 XML pain and SEPA are the same</td>
<td>SEPA has adopted ISO 20022 XML pain standards, but they are two different items</td>
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<tr>
<td>I’m set once I implement ISO with one bank</td>
<td>While ISO 20022 XML is a standard, each bank may have slight differences</td>
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What are my options?

**Embrace SWIFT, Global Formats or both**

**Start small**
Change your transmission method to be standard — the rest can follow.

**Medium**
Change the transmission and format with one bank partner.

**Go big**
Change your connections and format with all bank partners.
Planning your project

**Define project scope**
- Select services — payments, reporting, etc.
- Select banks you want to start with
- Evaluate your technical environment

**Contact bank & partners**
- Select a partner — service bureau
- Talk with your banks
- Agree on SLAs and operational procedures

**Select components**
- Select how you want to connect to SWIFT, partners, and banks
- Determine how you want to integrate

**Implement and test**
- Join SWIFT and order components
- Install hardware and software
- Enable test environment

**Roll out and go live**
- Train staff
- Switch to live
- Retire proprietary connections
- Monitor traffic flows
Our most successful customers do this...

Desire to Streamline and simplify bank connections and processes

Dedicate resources to manage their SWIFT and ISO 20022 XML efforts
- Business lead, technical lead, testing resources, vendor lead (if needed)
- Ability to generate and consume test files

Leadership commitment and support to "think differently"

Success

Ability to front-load costs
What leads to a less-successful implementation?

Doing too many things at the same time

- Implementing SAP, Oracle and SWIFT at the same time
- Viewing SWIFT and ISO 20022 XML as a side project or “hobby”

Not fully understanding the formats

Not prepared to test

Resistance to change
### Implementation strategies for success

1. **Define your end goal – what processes will improve?**
2. **Determine if going direct or through a service bureau is right for your organization**
3. **Layout an implementation plan – region by region?**
4. **Obtain buy-in within your organization. Has to be agreement to go to SWIFT or with a global format standard.**
5. **Have dedicated resources for implementation**
6. **Identify a business and technical representative assigned to your implementation**
How do we work together?

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