



SWIFT Update

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ECB Operations Managers Group

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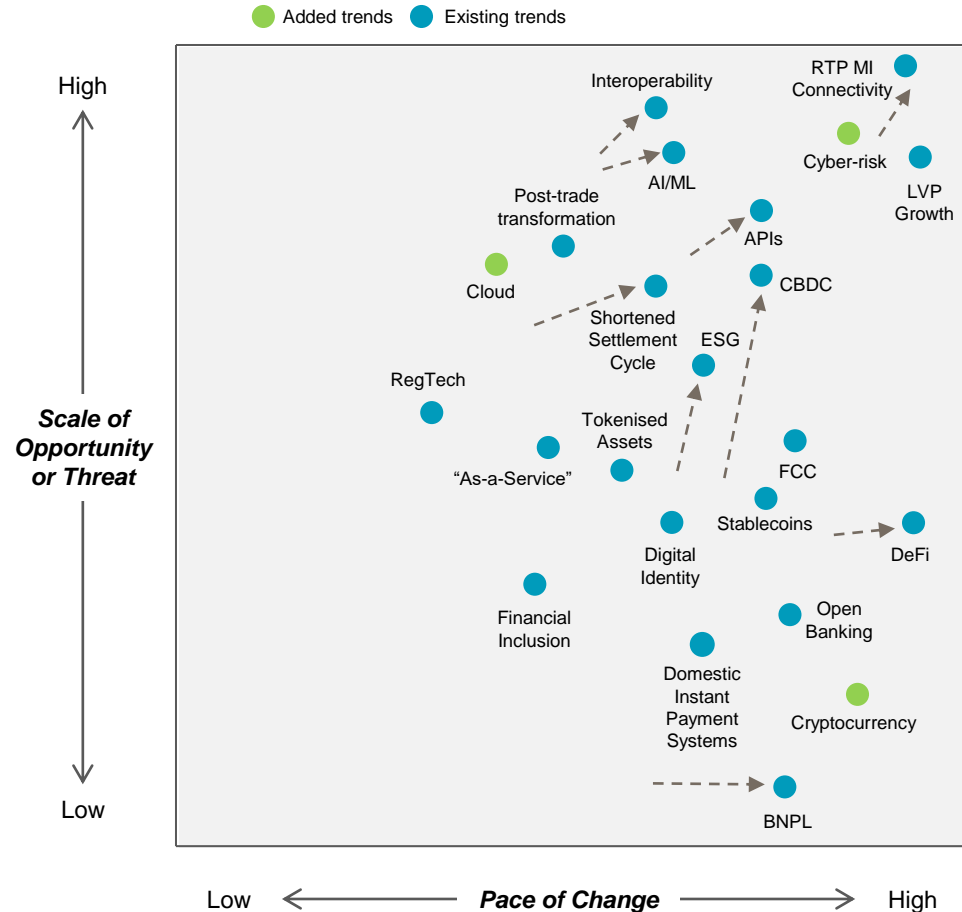


SWIFT Strategy

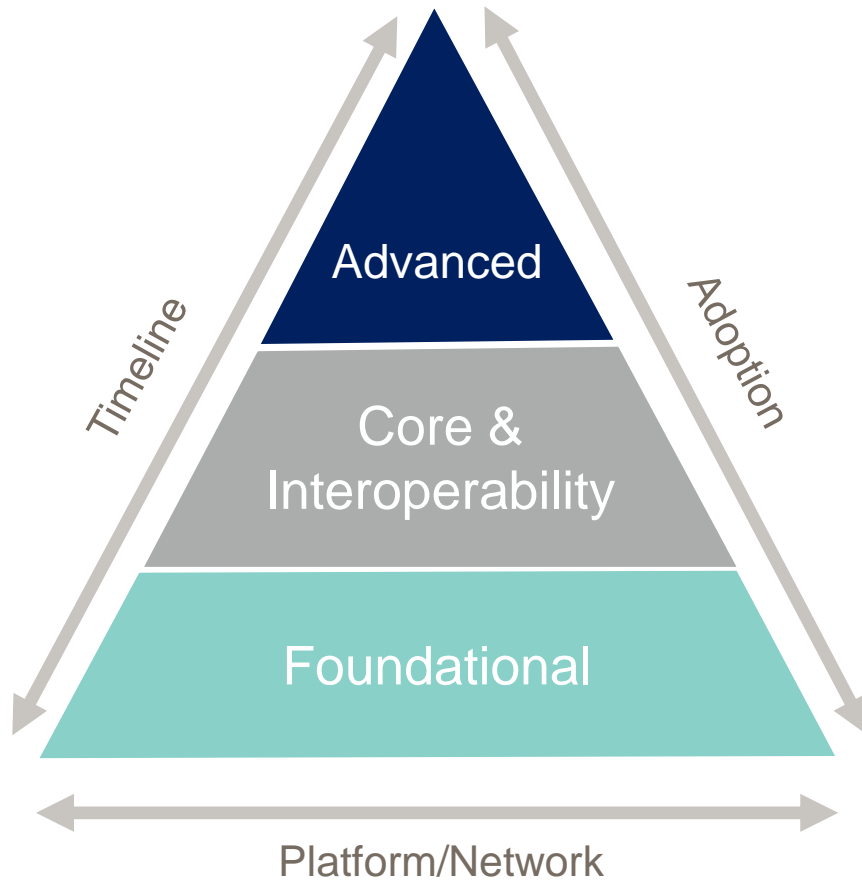
Market Landscape Update

Market Trends

- **ESG** is a significant focus for the industry, representing both a financial risk and a business opportunity
- **Cyber-risk** is becoming ever more critical, with digital innovation accelerating and an exponential rise in cyber-attacks
- **Interoperability** and the ability to connect to many settlement methods (wallets, crypto, etc.) and assets is fundamental
- **Payment MI interlinking** continues to pick up speed in efforts to address FSB/CPMI cross-border payment building blocks
- **Embedded payments** are becoming increasingly important as transactions move to digital platforms for e-commerce and Trade
- **Collaboration and co-opetition** are in full effect as companies increasingly partner, acquire, invest, and compete
- **Business and operating model alignment** within Securities firms to adapt to a changing market environment



SWIFT enabling the future: a Payments industry vision



Enhance customer experience, enable banks to embed new data-rich payment services in front-end applications

- Embed in front-end e-banking channels, corporate TMS and ERP systems, consumer wallets, trade ecosystems, consumer purchase-to-pay journeys – leverage existing corporate-to-bank ISO 20022 standardisation efforts
- For financial institutions to deliver with their clients, underlying multi-bank back-end must make it easy for members to provide innovative services in front-end

Facilitate interconnectivity of domestic payment systems, to enable instant transactions globally

- Core to SWIFT enabling interoperability between payment MIs and CBDCs including interlinking. Several models can be considered, not mutually exclusive
- Requires interoperability at business, technical, and legal level – important industry action required

Remove remaining friction at foundational level, to achieve speed and cost efficiency

- Operational excellence, security and strong cyber resilience
- Key developments by SWIFT and the whole community to deliver instant frictionless transactions account to account globally
- Richer data to achieve friction free transactions based on ISO 20022 in payments and reducing duplications and data inconsistencies
- SWIFT enhanced platform and transaction management capabilities
- Pre-validation and API enabled ecosystem

To fuel the next phase of SWIFT's strategy, we have expanded our innovation scope in 2022, focusing on three disruptive trends...

1

CBDCs

With 82 central banks, covering over 75% of the world's economic output, exploring CBDCs, we are actively pursuing a three-prong approach to CBDC cross-border experimentation:

- Participating in select relevant client experiments, e.g. advising the RLN initiative
- Joining BIS or key central bank experiments, e.g. engaging on projects in US and UK
- Undertaking our own next phase of experimentation: ***new interlinking experiment announced 19th May***

2

Tokenised Assets

With our securities clients looking to leverage the potential of a new USD 24trn market by 2027, we are advanced in a collaborative experiment to connect tokenized asset platforms (source Finoa)

- Working together with Clearstream, Northern Trust and a major global custodian
- Demonstrating the feasibility of harmonised access and orchestration for tokenized assets through SWIFT
- Showing tokenization, detokenization, and DvP settlement – incl. movement over multiple token platforms

3

AI

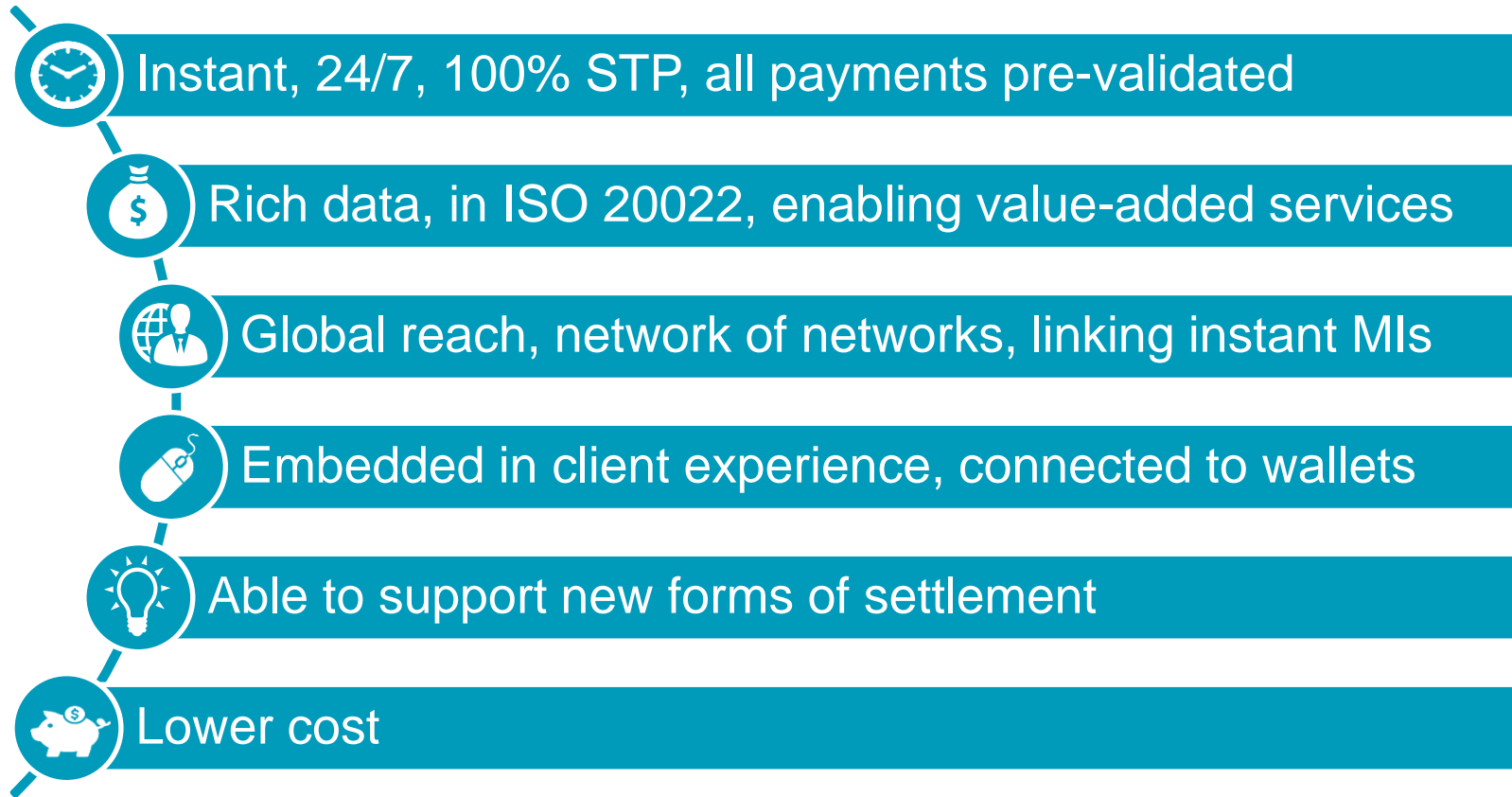
With AI emerging at enterprise scale, we are aiming to demonstrate its benefits through a transformational new AI platform for the financial industry

- Actively working to bring the platform to production, with anomaly detection as the exemplar use case
- Collaborating with advanced research institutes to enhance AI speed and accuracy
- Exploring the potential of federated AI, together with major clients

...alongside pursuing core innovation sprints to solve longstanding industry challenges such as API adoption, trade digitisation and corporate actions



Setting a bold blueprint for a different payments model built around SWIFT's strategy



– **FX Update**

- Standards release 2021
- Standards release 2022
- Standards release 2023
- ISO20022 payments migration – impacts on FX

– **SWIFT Strategy Update**



Standards Release **2021** – key enhancements

1. Remove free format 'D' options from MT 305/306 & MT 600/601 party fields

- To align with MT300/304 changes made in 2019
- Objective was to improve STP

2. Incorporate ISDA Benchmark Supplement in legal agreements for trades

Industry Requirements section and field 14C in MT 300, 304, 305, 306, 340, 360, 361

3. Add support for cash-settled forwards and options, aligned with new ISDA provisions for these instruments.

- Extension of support for NDFs



Standards Release 2022 – key enhancement

1. Add support for non-deliverable trades in digital currencies

- E.g. USD vs Bitcoin
- Digital currencies are identified using (new) ISO 24165 identifier in a new field 35C

Treat trade as NDF

Mnemonics to be defined

ISO 24165 DTI identifier and optional description

XXX ISO 4217 currency code in place of digital currency code

Sequence A – ctd.		
	Non-Deliverable Indicator	:17F:Y
	NDF Open Indicator	:17O:Y
	Settlement Currency	:32E:GBP
	Valuation Date	:30U:20220128
	Settlement Rate Source	:14S:SCC01
	Calculation Agent	:26K:JOIN
Sequence B	Transaction Details	:15B:
	Trade Date	:30T:20211201
	Value Date	:30V:20220201
	Exchange Rate	:36:4676,3216
	Digital Token Identifier	:35C:X134/Sample coins
Subsequence B1 – Amount Bought	Currency, Amount	:32B:GBP116908,04
	Receiving Agent	:57A:SBOSGB2L
Subsequence B2 – Amount Sold	Currency, Amount	:33B:XXX25,
	Receiving Agent	:57J:/NOSI/NDFS

SR 2023 – potential changes

- **SR 2023 likely to be a relatively small release**
- **For FX & Commodities**
 - Two small changes to usage guidelines proposed (no technical impact)
 - A substantial update to the MT 306, to align with the recently launched ISDA Barrier Supplement.
 - This change was proposed last year, but postponed by the maintenance working group.
 - It has been resubmitted by ISDA for consideration as part of SR 2023
- **Proposed changes still to be reviewed by SWIFT Board and Maintenance Working Group**

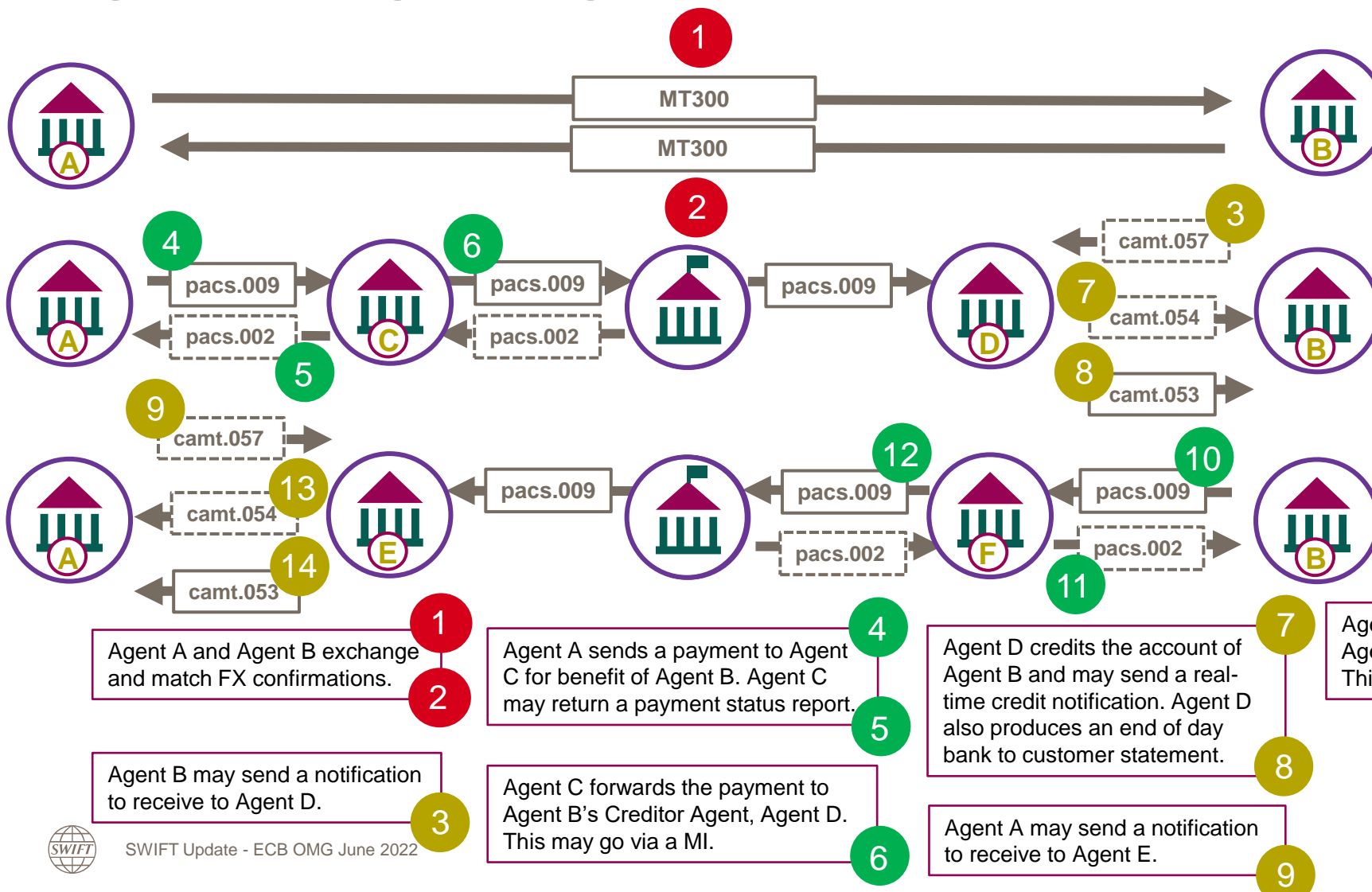


ISO 20022 Migration – FX impacts

- **No current plan to migrate FX flows (Cat 3 & 6) to ISO 20022**
- **However, settlement payments will migrate from Nov 2022**
- **Details of how to use and populate FX settlement payments will be published in CBPR+ section of MyStandards. Including.**
 - party fields
 - reference fields,
 - payment purpose and category purpose
 - related statements and credit/debit advices
- **See next slide for high-level flows example**



High Level - Foreign Exchange Settlement for FI to FI



It should be noted that steps 3-14 are not in chronological order e.g., step 9 may occur before step 3 dependent on currency, market, time-zone etc.

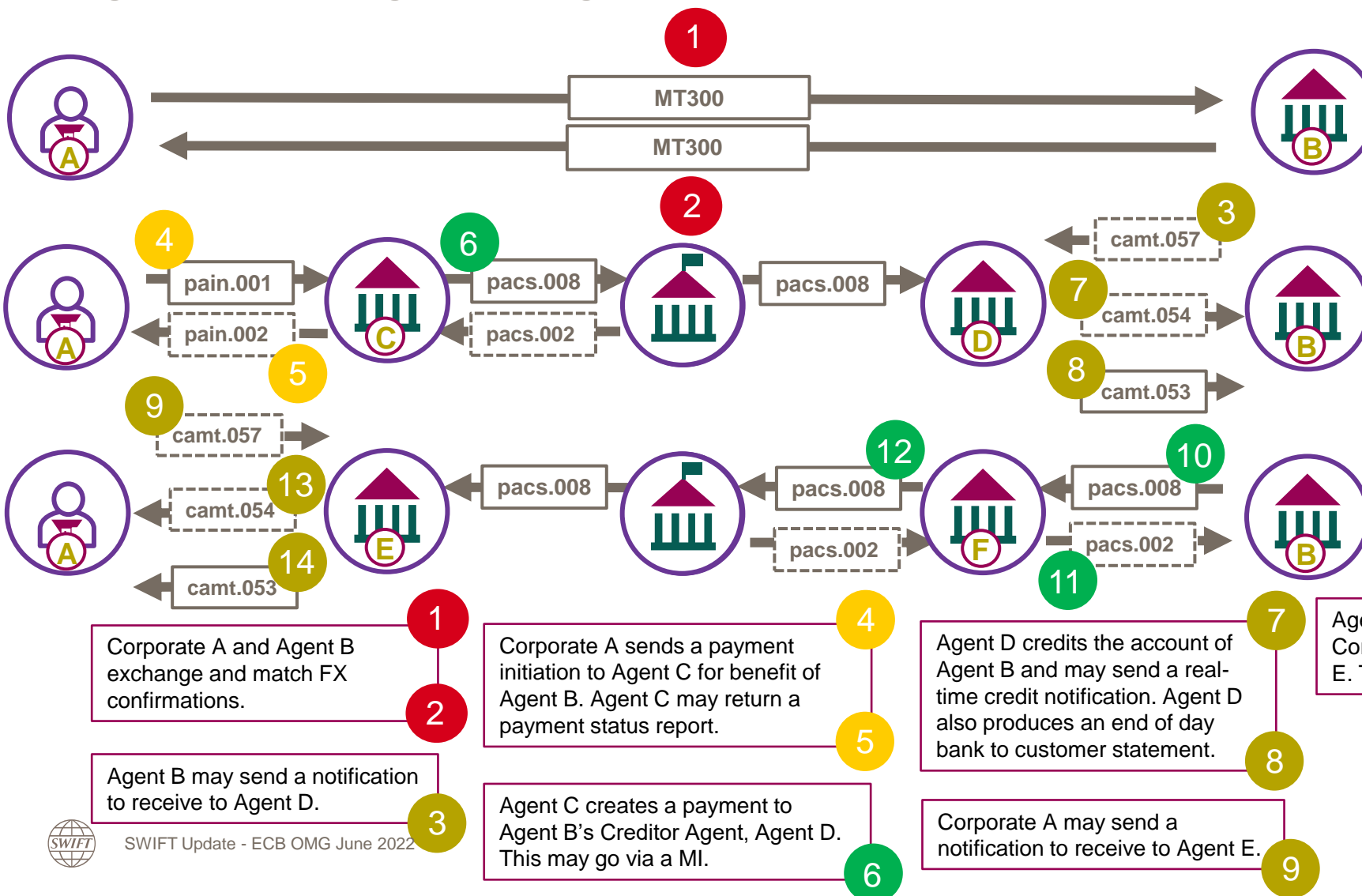
Agent B sends a payment to Agent F for benefit of Agent A. Agent F may return a payment status report.

Agent F forwards the payment to Agent A's Creditor Agent, Agent E. This may go via a MI.

Agent E credits the account of Agent A and may send a real-time credit notification. Agent E also produces an end of day bank to customer statement.



High Level - Foreign Exchange Settlement for Corporate to FI



It should be noted that steps 3-14 are not in chronological order e.g., step 9 may occur before step 3 dependent on currency, market, time-zone etc.

Agent B sends a payment to Agent F for benefit of Corporate A. Agent F may return a payment status report.

Agent F forwards the payment to Corporate A's Creditor Agent, Agent E. This may go via a MI.

Agent E credits the account of Corporate A and may send a real-time credit notification. Agent E also produces an end of day bank to customer statement.





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