



Regulation: Challenges and Opportunities for the SWIFT Community

Business Forum - Romania

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Regulation: Challenges and Opportunities

- **Landscape**
 - New financial regulations continue to impact banking operations globally
 - Biggest drivers for change:
 - The response to the financial crisis, with the ongoing G20 regulatory push for safer and more transparent financial markets
 - The development of the EU single market and regulatory structure e.g. plans for euro area banking union
 - Single state initiatives with cross border implications; e.g. US Dodd-Frank, FATCA, financial sanctions
 - New regulatory focus in Asia, picking up aspects of the regulatory changes in the EU and the US



Regulation: Challenges and Opportunities

- **Key Regulatory Themes:**
 - New Capital & Liquidity Standards for Banks – Basel III
 - Regulation of Shadow Banking (hedge fund/private equity etc.)
 - Safer OTC Derivatives Markets
 - Identification and supervision of globally systemic financial institutions (G-SIFIs) and bank resolution/crisis management
 - Focus on financial market infrastructures (payments and securities)
 - Protection of client assets and data
 - AML and KYC
 - Taxation (transaction and income)
 - Sanctions



Regulation: Challenges and Opportunities

- **SWIFT's role in the new regulatory landscape:**
 - Understanding the operational impacts of regulatory changes for the community and for SWIFT
 - Raising awareness with authorities/policy makers in respect of relevant industry developed solutions and standards
 - Ensure delivery of the appropriate messaging and data standards addressing new regulatory imperatives
 - Deliver focused solutions in response to key regulatory challenges
 - Work with the industry to develop collaborative solutions where appropriate to address regulatory changes



Regulation: Challenges and Opportunities

- **Example areas of SWIFT's regulatory focus today:**
 - **Data Protection**

The updating of EU data protection legislation has begun this year, with important operational implications for SWIFT and our community. SWIFT is actively engaged in discussions with policy makers on the progress of this legislation with a view to reducing the impact.
 - **Taxation**

US FATCA, which is designed to catch tax due on US citizen's overseas holdings. Operationally challenging. FATCA is still under development with some countries reaching agreement to manage data collection locally. SWIFT is consulting the community on any operational enhancements e.g. identifiers which could help with compliance
 - **Single European Payments Area Regulation**

There is now more certainty around the start date for SEPA – Feb 2014. Much preparatory work needs to be done however especially around the readiness of the corporate sector. SWIFT's newest reference data portfolio *SWIFTRef*, provides corporates with the necessary BIC and IBAN validation tools for making their payments SEPA-compliant. Swift is also launching a consulting package focused on the corporates.



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- **Example areas of SWIFT's regulatory focus today contd.:**
 - **US Cross Border Remittances**

Regulatory requirements for retail cross border remittances originating from US customers are changing under the Dodd-Frank legislation (Section 1073). SWIFT is responding to the operational implications arising from the need to supply the end customer with increased transparency over costs and delivery terms.
 - **Sanctions**

The financial community is increasingly impacted by regulation in this area. SWIFT continues to increase efforts to help our members comply with the latest rules through standards development and the sanctions screening service.
 - **CPSS-IOSCO - Recommendations for Financial Market Infrastructures (FMIs)**

This global measure is highly relevant as SWIFT is a critical service provider to many FMIs, such as many Central Bank payments systems. SWIFT will be publishing a white paper and an assurance strategy on how we provide FMIs (and their clients) with service levels to enable compliance in respect of our role as a critical service provider.



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- **Example areas of SWIFT's regulatory focus today contd.:**

- **Legal Entity Identification (LEI)**

A global initiative managed by the Financial Stability Board (FSB). SWIFT is contributing to an industry led response to this challenge for a global LEI system. LEI is needed for regulatory reporting to deliver greater market transparency as required by the G20 agenda. SWIFT is working with the US DTCC on this initiative which will also enable better industry risk management. SWIFT and DTCC have already delivered an interim LEI solution for US regulators based on a new ISO data standard.

- **Securities Post Trading**

SWIFT is tracking the extensive regulatory changes in the securities markets in Asia, Europe and the US. Common themes include measures which promote greater efficiency, safety and transparency in securities post trading (e.g. Dodd-Frank in the US, and various new EU regulations such as EMIR and CSD-R). SWIFT is addressing these challenges through deployment of messaging and standards based solutions addressing key areas such as trade confirmation, clearing, settlement and reporting.



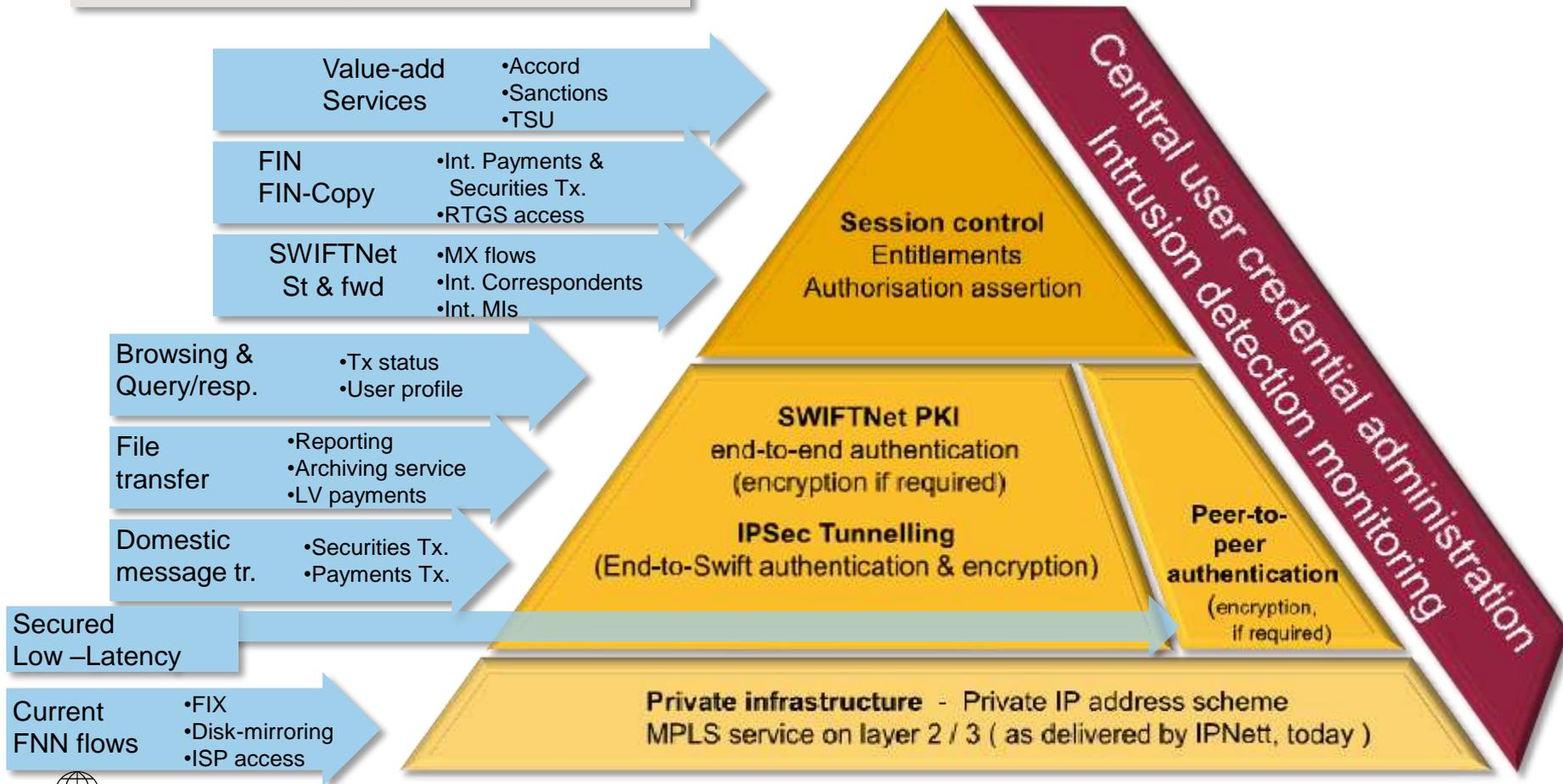
Regulation: Challenges and Opportunities

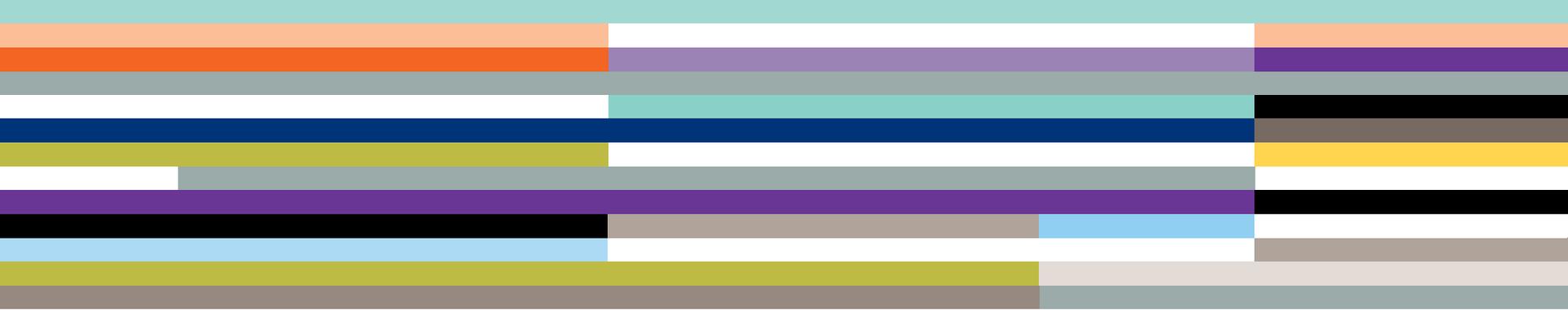
- **SWIFT plans to continue engagement on these and other regulatory topics in close cooperation with the community and the relevant industry associations and groups**



Secured Services

- Multiple security level to address specific security requirement and transit time constraints:





Thank you

