Market Infrastructures & Liquidity Management

Current status & benefits
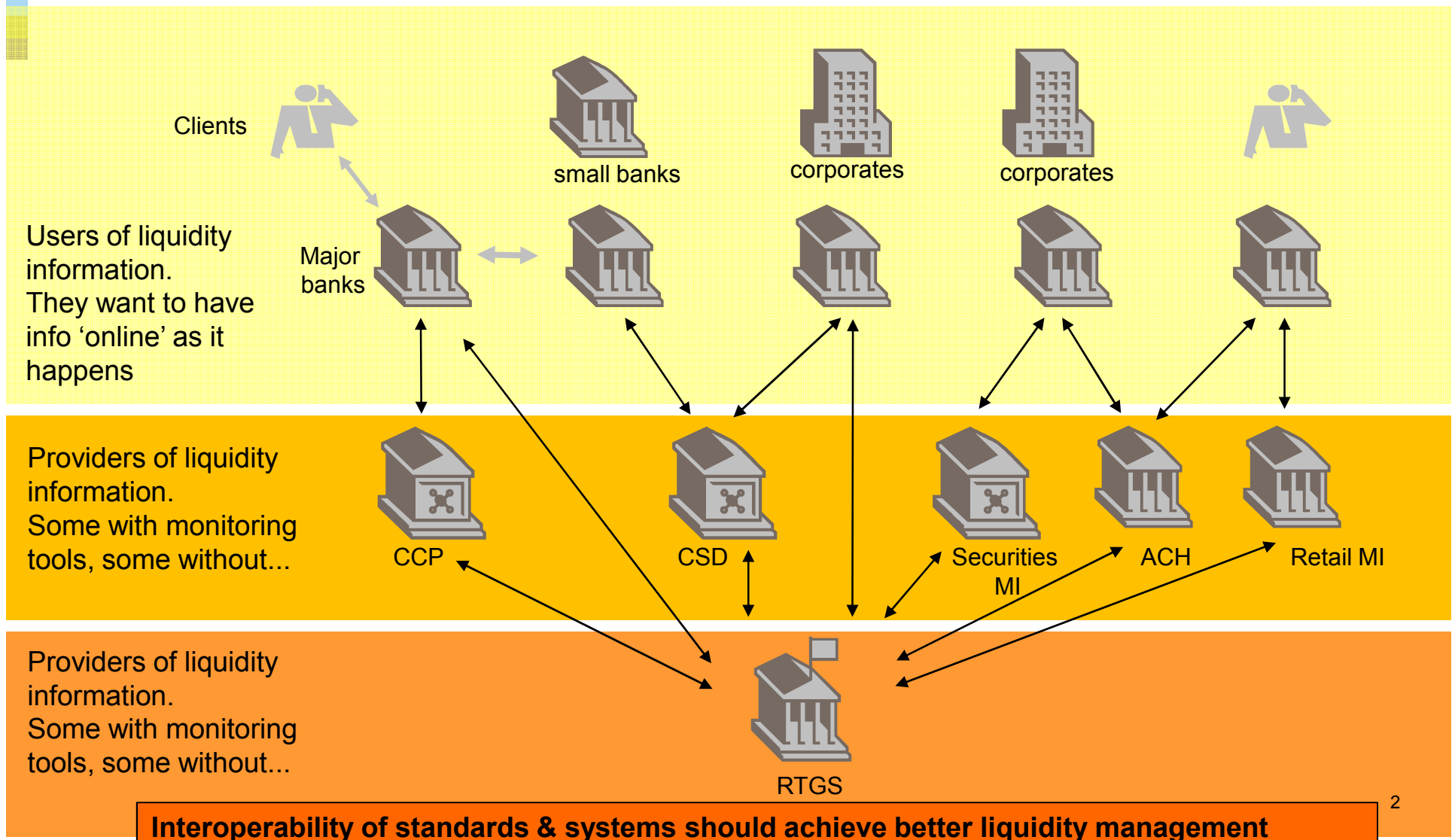
Judit Baracs, Senior Account Director, Payments Markets AT & CEE

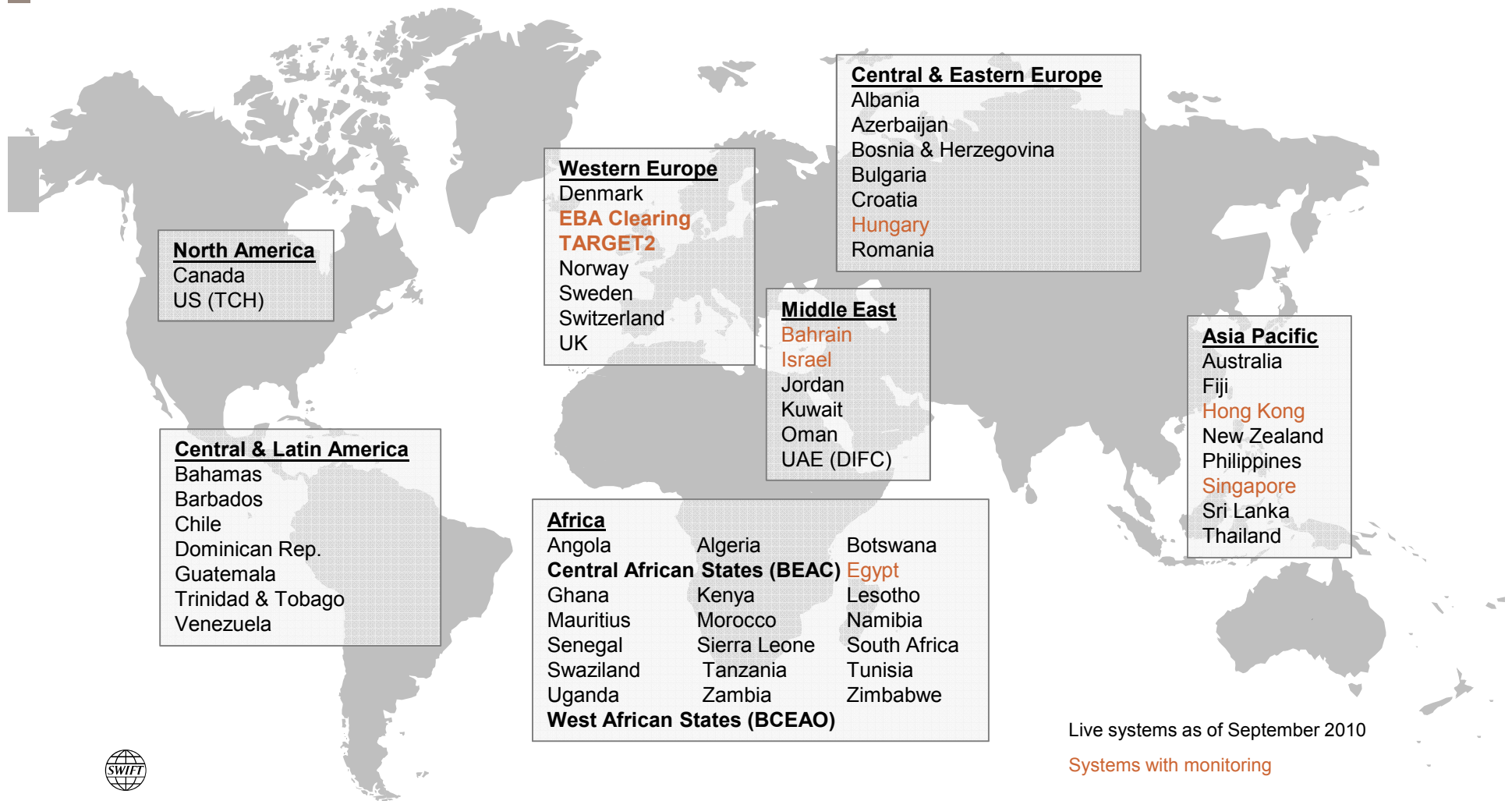Business Forum Bucharest

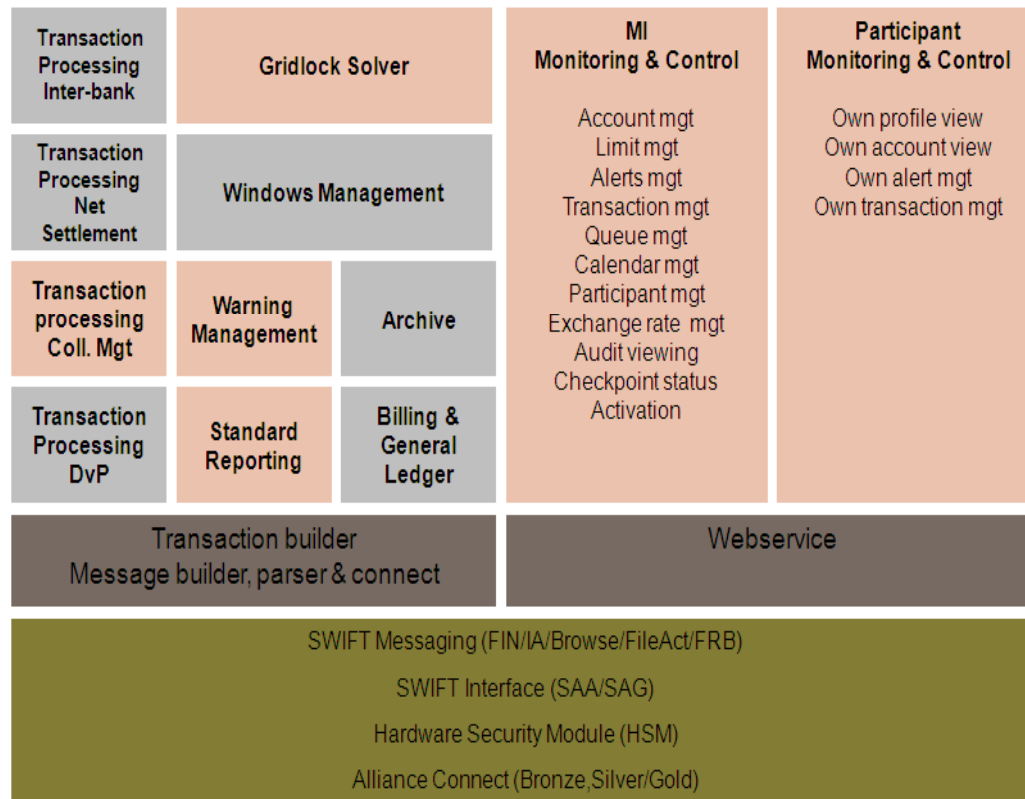15 September 2010

Who are the players?
The bigger picture

Clients

small banks

corporates

corporates

Users of liquidity information.
They want to have info 'online' as it happens

Major banks

Providers of liquidity information.
Some with monitoring tools, some without...

CCP

CSD

Securities MI

ACH

Retail MI

Providers of liquidity information.
Some with monitoring tools, some without...

RTGS

Interoperability of standards & systems should achieve better liquidity management

2

High value payment market infrastructures

Central & Eastern Europe
Albania
Azerbaijan
Bosnia & Herzegovina
Bulgaria
Croatia
Hungary
Romania

Western Europe
Denmark
EBA Clearing
TARGET2
Norway
Sweden
Switzerland
UK

North America
Canada
US (TCH)

Middle East
Bahrain
Israel
Jordan
Kuwait
Oman
UAE (DIFC)

Asia Pacific
Australia
Fiji
Hong Kong
New Zealand
Philippines
Singapore
Sri Lanka
Thailand

Central & Latin America
Bahamas
Barbados
Chile
Dominican Rep.
Guatemala
Trinidad & Tobago
Venezuela

Africa		
Angola	Algeria	Botswana
Central African States (BEAC)		Egypt
Ghana	Kenya	Lesotho
Mauritius	Morocco	Namibia
Senegal	Sierra Leone	South Africa
Swaziland	Tanzania	Tunisia
Uganda	Zambia	Zimbabwe
West African States (BCEAO)		

Live systems as of September 2010

Systems with monitoring

SWIFT

RTGS high-level overview of functionalities
Liquidity management is a key focus

Transaction Processing Inter-bank	**Gridlock Solver**	**MI Monitoring & Control**	**Participant Monitoring & Control**
Transaction Processing Net Settlement	**Windows Management**	Account mgt Limit mgt Alerts mgt Transaction mgt Queue mgt Calendar mgt Participant mgt Exchange rate mgt Audit viewing Checkpoint status Activation	Own profile view Own account view Own alert mgt Own transaction mgt
Transaction processing Coll. Mgt	**Warning Management** / **Archive**		
Transaction Processing DvP	**Standard Reporting** / **Billing & General Ledger**		

Transaction builder
Message builder, parser & connect | **Webservice**

SWIFT Messaging (FIN/IA/Browse/FileAct/FRB)
SWIFT Interface (SAA/SAG)
Hardware Security Module (HSM)
Alliance Connect (Bronze,Silver/Gold)

- For the MI operating RTGS
  - MI liquidity movements
  - Forced payments
  - Queue management
  - Gridlock processing
  - Increase liquidity against collaterals
  - Change the limit

- For the RTGS participant
  - Monitor their queues and accounts
  - Suspend or cancel their own payments
  - Change payment priority
  - Change alerts
  - Transfer funds between their accounts

Cash management and participant administration

- InterAct, provides A2A interactive exchange of instructions between counterparties

- Browse, provides secure U2A browsing to access the market infrastructures webservices monitoring & control module
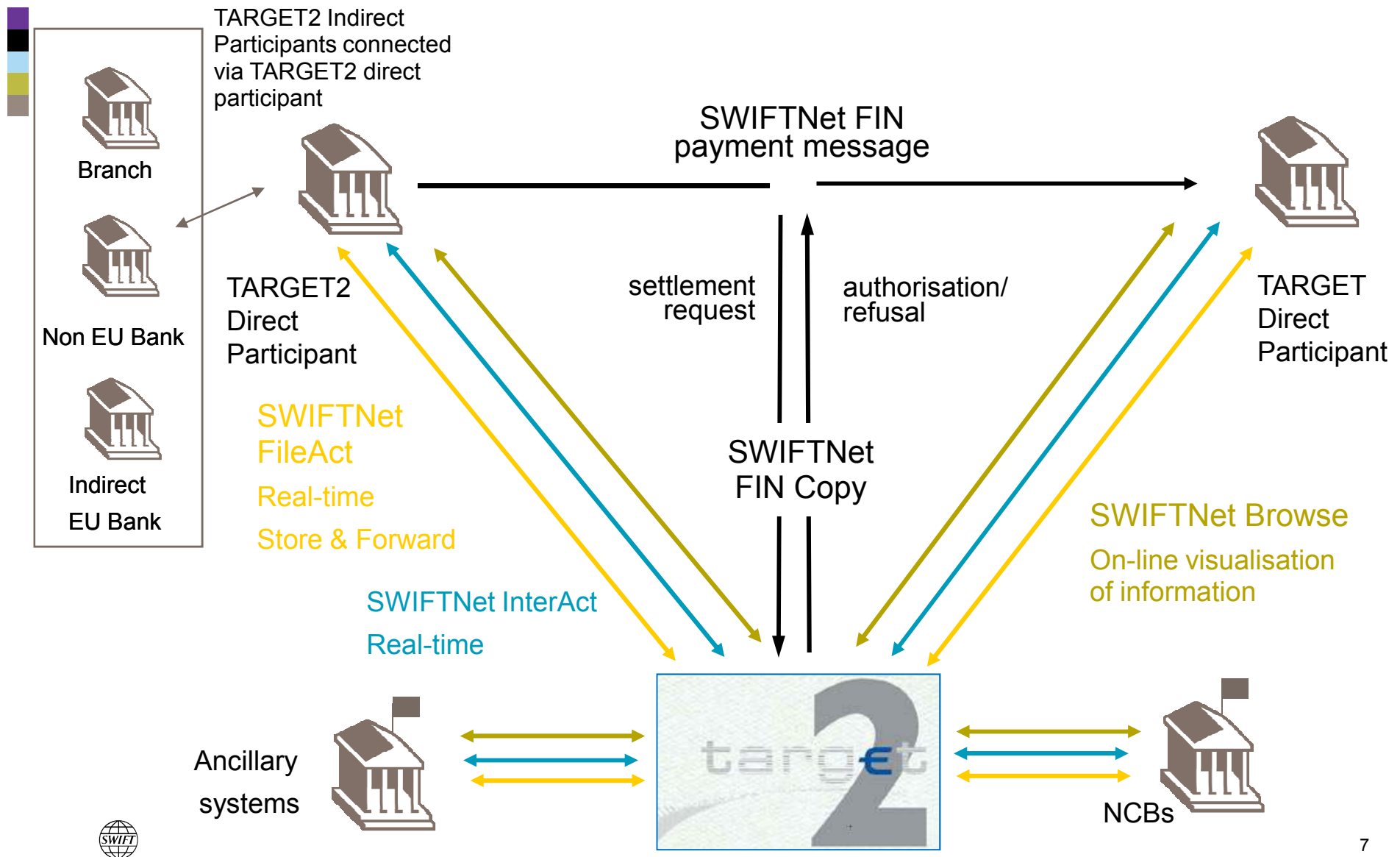

Participant B

Internal Payment system

SWIFT interface

SWIFTNet

Participant A

InterAct real-time information exchange and control

Browse online Info query

Central institution

SWIFT interface

Payment processing

Bank A   Bank B

Central web server
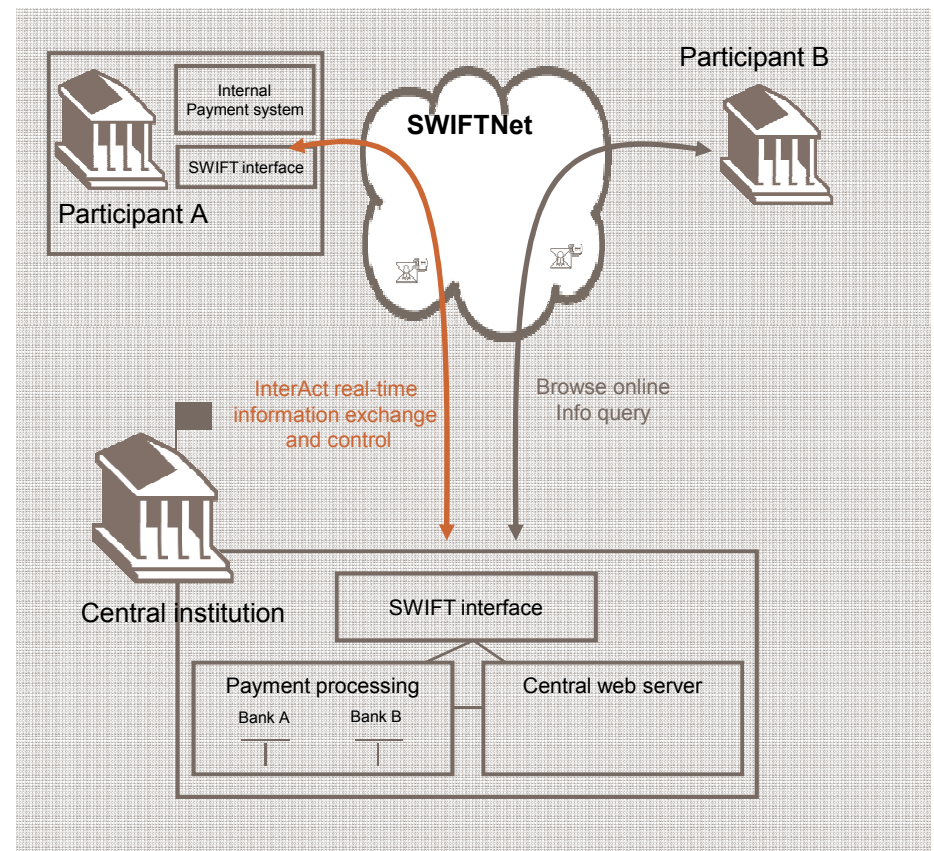
Report & directory management

- Report management, where volume and flexible structure are essential
- FileAct is ideal for exchanges of
  – Large reports: business, statistical or regulatory reports
  – Raw data
  – Directories

- FIN Inform can supplement FIN to report community transaction (not the RTGS related transaction) in real-time to the Central Bank for credit risk monitoring

Participant A

Internal Payment system

SWIFT interface

SWIFTNet

Participant B

FileAct for reporting

FileAct for reporting

Central institution

SWIFT interface

Payment processing
Bank A   Bank B

Central web server

FileAct for bulk reporting
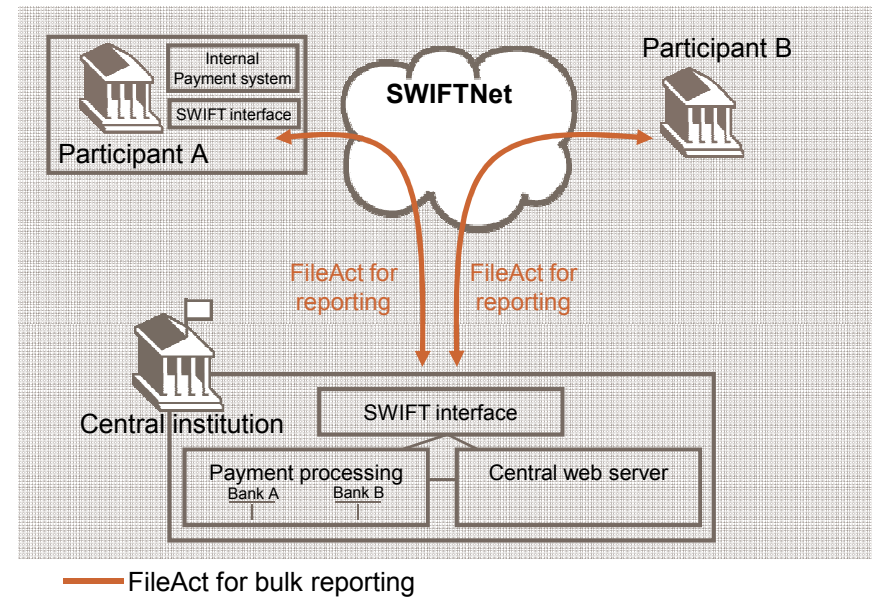
Target2 and its ICM module provide liquidity management via Browse, InterAct & FileAct

TARGET2 Indirect Participants connected via TARGET2 direct participant

Branch

Non EU Bank

Indirect EU Bank

SWIFTNet FIN payment message

TARGET2 Direct Participant

TARGET Direct Participant

settlement request

authorisation/ refusal

SWIFTNet FileAct

Real-time

Store & Forward

SWIFTNet FIN Copy

SWIFTNet Browse

On-line visualisation of information

SWIFTNet InterAct

Real-time

Ancillary systems

target 2

NCBs

Information and Control Module (ICM)

ICM – an example view

ICM - access modes

Standing
Facilities

Home
Accounting
Module

Reserve
Management

Proprietary
home accounting
system

Payments
Module

Static Data

SSP

**ICM
server**

XML

HTML

(XML)

**SWIFTNet
InterAct /
FileAct**

**SWIFTNet
InterAct /
Browse /
FileAct**

Participants

**HOST
Adapter**

back office

Alliance WebStation

*A2A mode
(Application-to-Application)*

*U2A mode
(User-to-Application)*

10

Realtime Application to Application
A vital element to improve liquidity management

Quality of information

Level 2:
Real-time
Cash Reporting XML

Level 1+: application layer
Consolidated intraday data

Level 1:
Intraday reporting FIN
MT 900, 910, 941, 942

Level 0:
end-of day statement
FIN MT 940-950

Account position one day after settlement

- Intraday view of cash accounts
- Improve intraday cash management and end-of-day cash position

- Ability to report 100% of the movements
- Granularity of data
- Timeliness, real-time
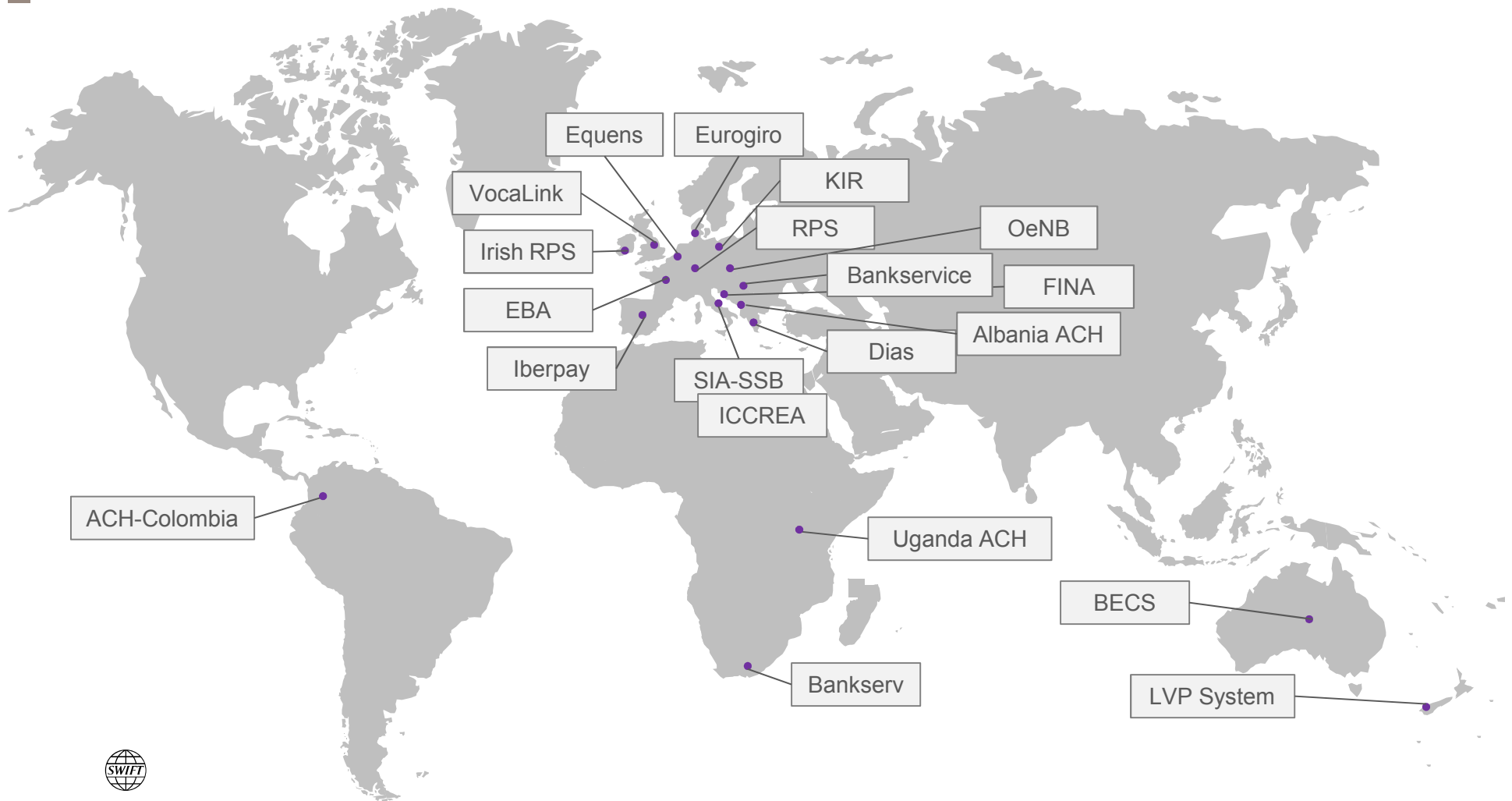- Easier integration of XML schema

Value

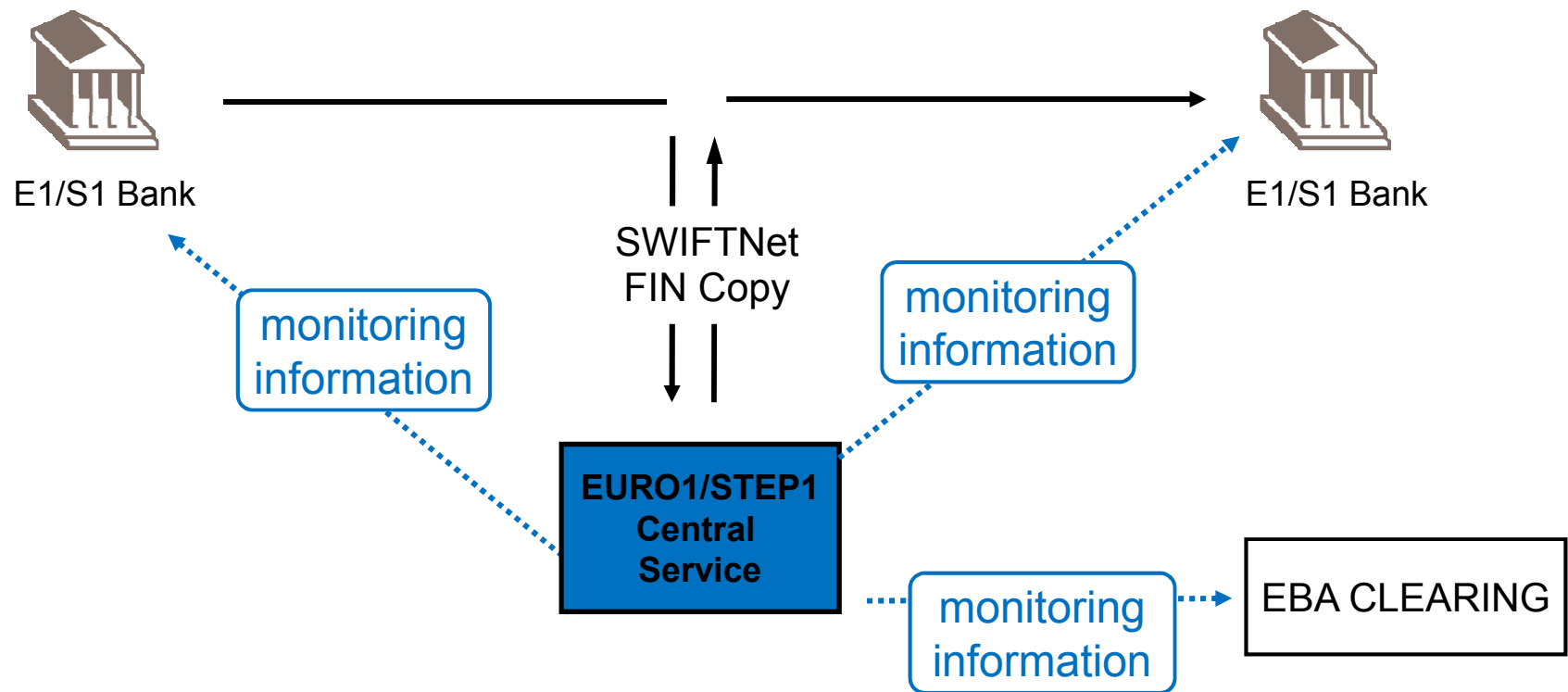• Standards exists and are in used

• Level 0 and level 1 mostly used by SWIFT enabled HVPMIs

• Trends kicked-off for usage of Level 1+&2 usage

# Retail payments clearing and settlement systems and schemes on SWIFT

Equens
Eurogiro
KIR
VocaLink
RPS
OeNB
Irish RPS
Bankservice
FINA
EBA
Albania ACH
Iberpay
Dias
SIA-SSB
ICCREA
ACH-Colombia
Uganda ACH
BECS
Bankserv
LVP System

EBA, the **EURO1/STEP1** Service

EBA's Interactive Workstation for liquidity management

	BKBDBEBB		JSmith		31 May 2007 - 15:31		EURO1 Open / STEP1 Capacity Transfer (DEV)	
Position	-21.296.634,00	**On-hold**	**Credit**	50.483.704.000,00		**Limit**	**Credit**	**400 M EUR**
			Debit	13.157.836,00			**Debit**	**410 M EUR**

Payments

Processed Today (14)

Payments	Payments > Processed Today (14)								
		Date	Sender	Receiver	ET	Amount ▲	MT	TRN	RRN	Status	SC

	Date	Sender	Receiver	ET	Amount ▲	MT	TRN	RRN	Status	SC
▶	070531	BKBDBEBBXXX	BKBBBEBBXXX		-8.968.914,00	400	0531083427-00046	0531083427-00047	P 31 07:30	EBA
▶	070531	BKBDBEBBXXX	BKCCBEBBXXX		-7.735.340,00	103	0531083427-00045		P 31 07:30	EBA
▶	070531	BKBDBEBBXXX	BKCCBEBBXXX		-6.545.705,00	103	0531083427-00056		P 31 07:30	EBA
▶	070531	BKBDBEBBXXX	BKCCBEBBXXX		-6.545.705,00	102	0531083427-00054		P 31 07:30	EBA
▶	070531	BKBDBEBBXXX	BKCCBEBBXXX		-5.718.046,00	103	0531083427-00057		P 31 07:30	EBA
▶	070531	BKBDBEBBXXX	BKCCBEBBXXX		-5.718.046,00	103	0531083427-00055		P 31 07:30	EBA
▶	070531	BKBDBEBBXXX	BKDDBEBBXXX		-2.369.116,00	103	0531083427-00042		P 31 07:30	EBA
▶	070531	BKBDBEBBXXX	BKDDBEBBXXX		-755.348,00	103	0531083427-00047		P 31 07:30	EBA
▶	070531	BKBDBEBBXXX	BKAABEBBXXX		-552.983,00	102	0531083427-00043		P 31 07:30	EBA
▶	070531	BKCCBEBBXXX	BKBDBEBBXXX		80.501,00	103	0531083427-00051		P 31 07:30	EBA
▶	070531	BKBBBEBBXXX	BKBDBEBBXXX		870.768,00	400	0531083427-00052	0531083427-00053	P 31 07:30	EBA
▶	070531	BKAABEBBXXX	BKBDBEBBXXX		6.656.971,00	102	0531083427-00049		P 31 07:30	EBA
▶	070531	BKDDBEBBXXX	BKBDBEBBXXX		6.736.966,00	103	0531083427-00053		P 31 07:30	EBA
▶	070531	BKDDBEBBXXX	BKBDBEBBXXX		9.267.363,00	103	0531083427-00048		P 31 07:30	EBA

Sidebar menu:
- Processed Today
- On-hold
- Future (D+1)
- Rejected Today
- Cancelled Today
- Custom Query
- **Positions**
- **Limits**
- **Participants**
- **Approvals (2)**
- **Messages**
- **Reports (79)**
- **Unsolicited Reports**
- **User Preferences**
- **Audit**

Total Amount : -21.296.634,00   Page 1 of 1

Access for banks via a **WebStation** or **WebPlatform** using SWIFTNet **Browse** for viewing information and banks can cancel payments via **InterAct**.

Standardised infrastructure, standardised messaging, interoperability = cost reduction for the end-user!
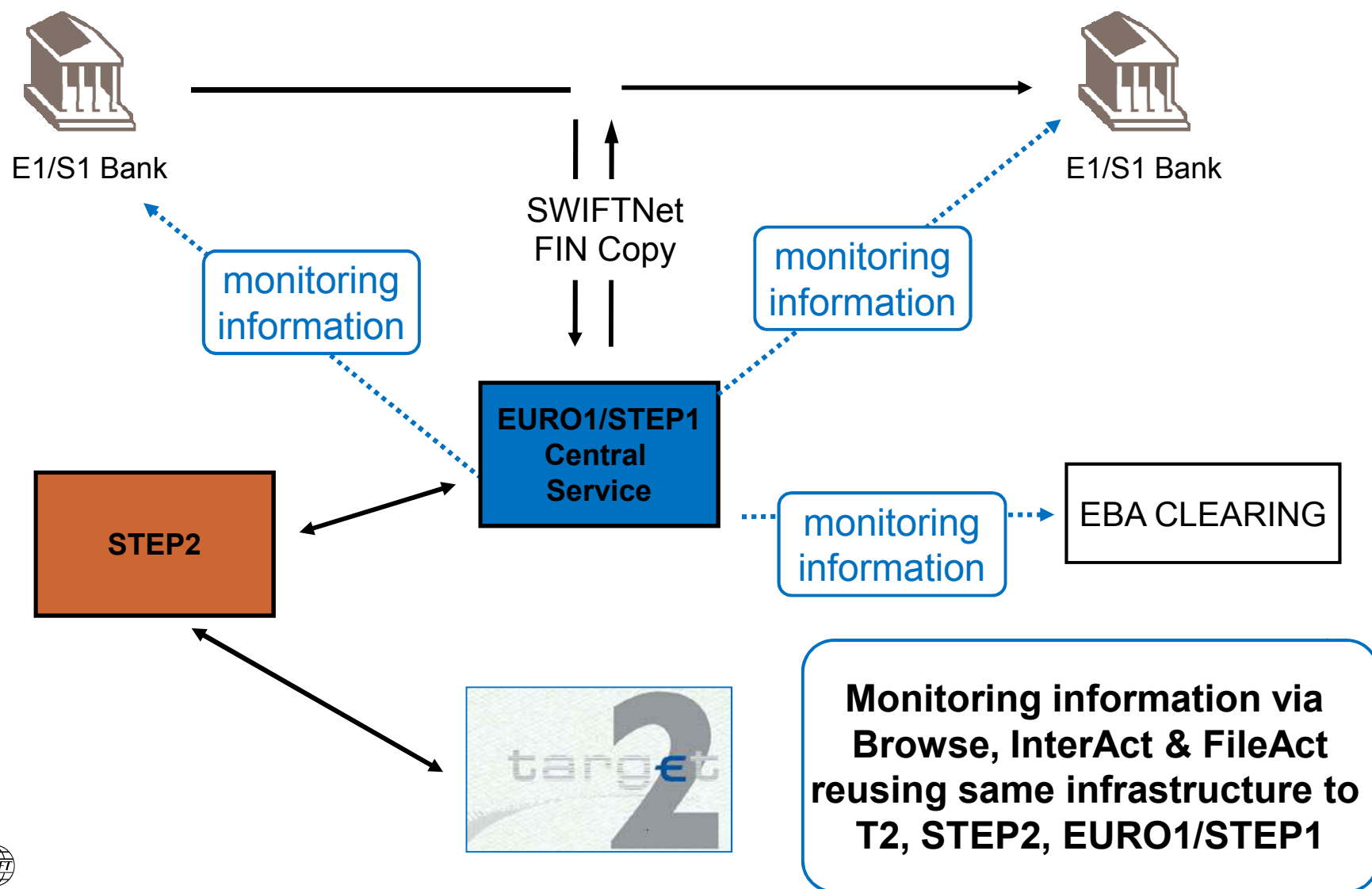
Benefits of using SWIFT

Global market reach

- Thousands banks
- 500+ corporates
- 19+ Retail payments systems (i.e.: ACHs)
- 60+ high value payment systems (i.e.: Target2)

Interoperability and flexibility

- Supports both proprietary or standard format
- Same infrastructure for all currencies
- Credit transfer, direct debit, cheque
- Flexible exchange method to cope with each local clearing community requirement

Cost efficiencies

- Closed business community
- Single security and file transfer
- Non-repudiation (proof of sender)
- Reliability and availability (99.999% uptime)

Benefits of using SWIFT

Compared to VPNs

- Predictability of costs (rebate based vs surcharge based for VPNs)
- Clearer TCO on SWIFT side – mutualisation of means, prices decreasing over time
- Any additional traffic has indirect impact on banks SWIFT tiering

Expansion and reuse

- SWIFT allows connecting to exogenous systems (EACHA framework/EBA Step2)
- SWIFT allows connectivity to Settlement Systems (Target 2, ReGIS)
- Minimizes footprint at the bank side (reuse of SWIFT infrastructure) and FTE spending for maintenance and monitoring
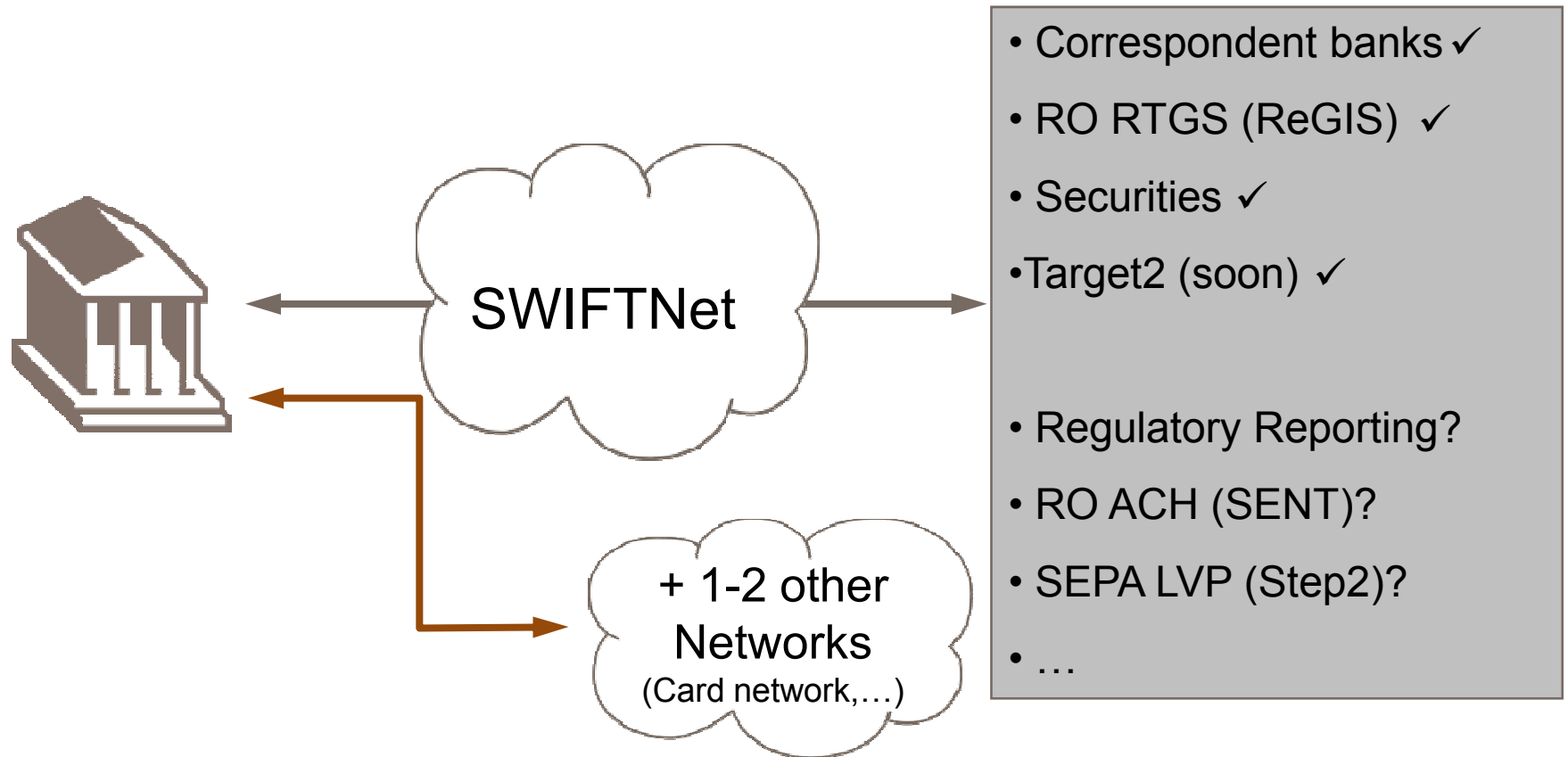- Minimizes up front set up and negotiations between parties

SWIFT Premium service

- 24/7 availability
- Business and technical support included
- Security is a must and part of base offer – delivery and authentication options available
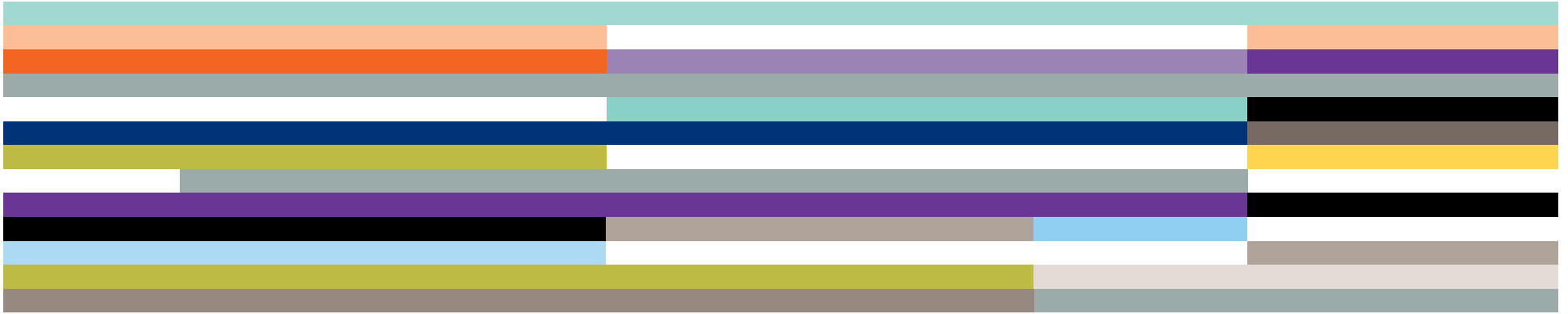- SWIFT includes an insurance coverage

The Romanian banks' vision
A total solution for payment and settlement systems

SWIFTNet

+ 1-2 other Networks
(Card network,…)

- Correspondent banks ✓
- RO RTGS (ReGIS) ✓
- Securities ✓
- Target2 (soon) ✓

- Regulatory Reporting?
- RO ACH (SENT)?
- SEPA LVP (Step2)?
- …

Benefit from SWIFT's security, reliability, availability while reusing your existing infrastructure

Thank you