New Developments in the Low-Value Payment Market.

The Role of SWIFT

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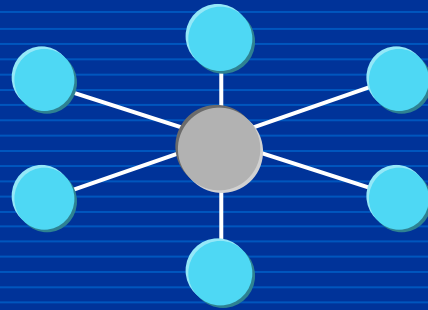
Global Payments Week 2006

Sydney, Australia

SWIFT

Low-Value Payment systems
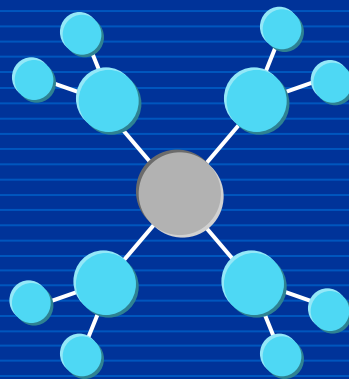# Business Models

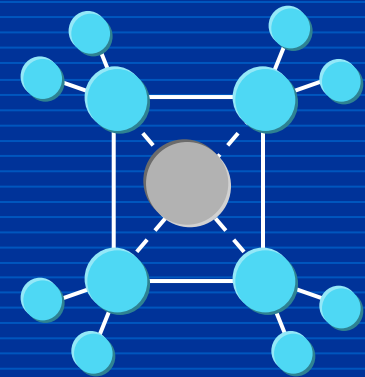**1** "Hub and spoke" around ACHs

e.g. NL, UK

2 "Hub and spoke" around ACHs with indirect membership

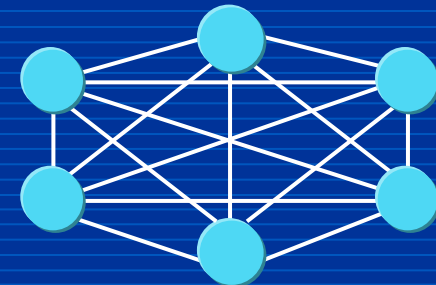e.g. BE, EBA, ZA

3 ACH acting as accounting centre

e.g. ES, FR

4 Bilateral file exchanges

e.g. AT, DE, IE

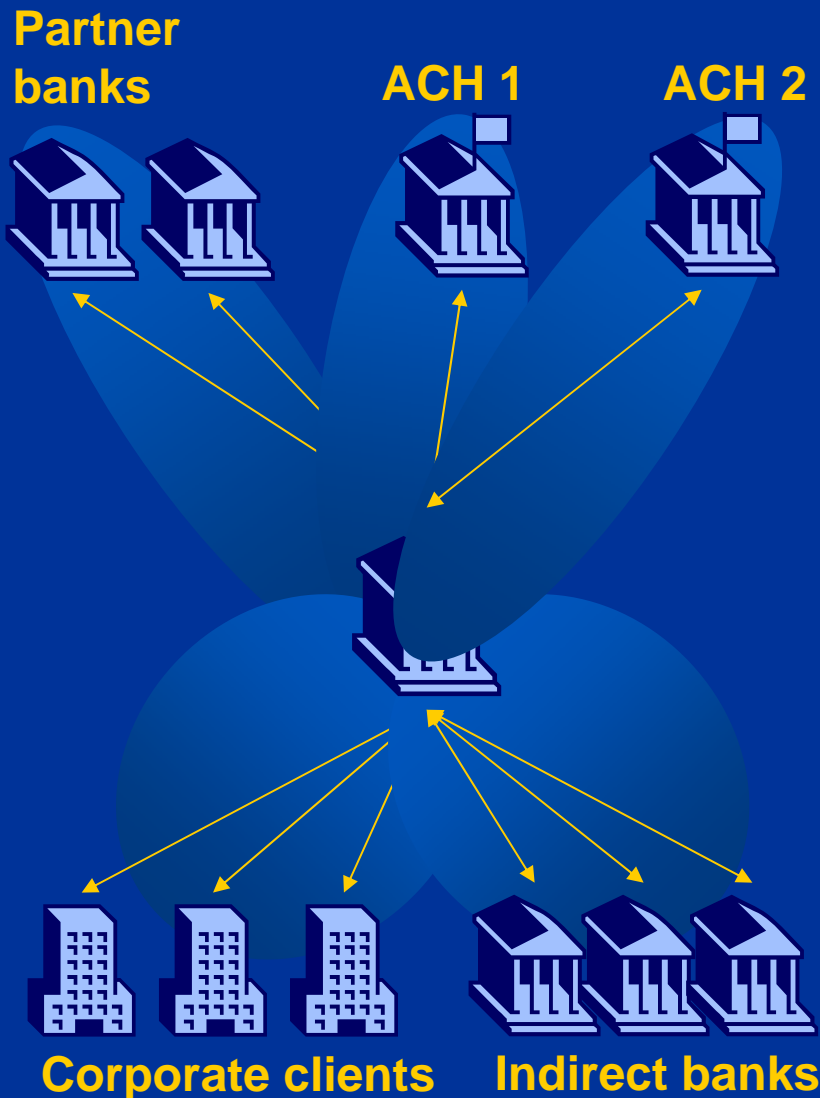|	
⬤ ACH	⬤ Direct ACH participant	——— Payment data
	⬤ Indirect ACH participant	- - - - Accounting data

Banks have a multitude of relationships for their bulk/low value payments

Partner banks — ACH 1 — ACH 2 — Corporate clients — Indirect banks

- Banks receive payments from their corporate clients and from indirect participants
- They route international and domestic low-value payments through …
  - Partner banks
  - ACHs
- Corporates as well must maintain multiple relationships

Rationalizing the technology and standardizing the content are essential!

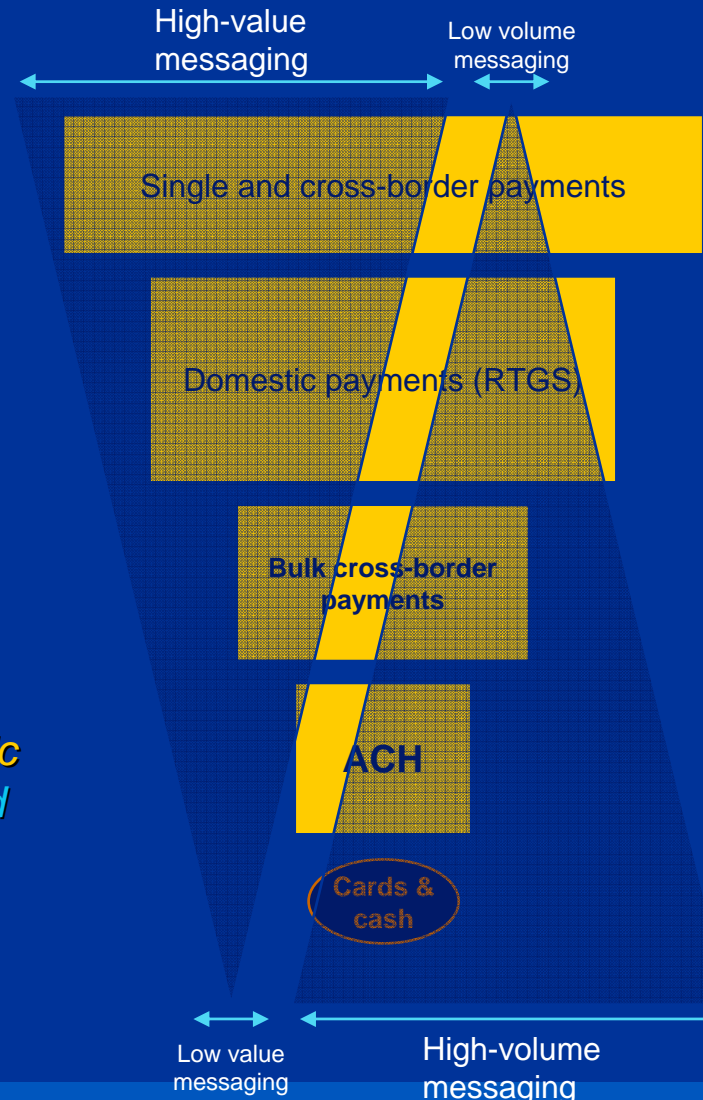# Market developments

- In Developing Markets:
  - Structural changes of financial market
  - International practice
  - Central bank lead, buy off shelf ACH's in developing markets
- In Europe:
  - ACH operator becoming more commercial
  - SEPA leading to consolidation
  - TARGET 2
  - Faster Payments (OFT)
  - Gradual move to XML, encouraged by Regulators
- In US:
  - Increased interest in XML

Complementing our position in wholesale segment by extending to low value payment market

1973 We started in the wholesale cross-border payments market : high-value messaging but limited volume

1995 We extended to the wholesale domestic payments (RTGS) : high-value add messaging with large volumes

2003 *We entered the retail cross-border payments market: lower-value add messaging but limited volume*

2005 *We are entering the retail domestic payments market: lower value add messaging but large volumes*

High-value messaging

Low volume messaging

Single and cross-border payments

Domestic payments (RTGS)

Bulk cross-border payments

ACH

Cards & cash

Low value messaging

High-volume messaging

SWIFT Value Proposition for Bulk Payments

- Make implementation easier and more cost-effective for the SWIFT community

- Maximize industrialization processes

- Leverage Banks' existing investment like their connectivity to the SWIFTNet platform

SWIFT offering for Bulk Payments

1 **Standards**	UNIFI (ISO 20022) for Credit Transfer and Direct Debits	
2 **Messaging**	• SWIFTNet FileAct • FA Header Enhancement	**6** **Testing services**
3 **Efficiency support**	• FileAct Header Copy • FileAct Header Netting	
4 **Interoperability enablers**	Directories: Routing, IBAN/BIC	
5 **Pricing**	Bulk Payments Community based Pricing	

Swift role.....

SWIFT can offer a number of generic benefits to Financial Community to reduce the TCO and secure reachability, reliability & scalability

	Existing Financial Network	SWIFTNet Financial Messaging Service
Participant reach	National	Global
Standards	Proprietary	International, domestic and proprietary
Participant infrastructure	Dedicated	Re-usability and single windows
Operation management	Country-based in-house management	Ready to use world-wide solution Management handled by SWIFT

Thank you

Questions
& answers