sibos issues

www.swift.com/sibos2008

Tuesday
16/09/2008

The official daily newspaper of Sibos 2008 Vienna 15-19 September

Today at a glance

Tuesday 16 September

Big issue debate 2
>9:00-10:15 Big issue debate 2: Economic power is shifting. So what? *Plenary: Hall D*

Main conference sessions:
>11:00-12:00 SWIFT for mid-sized corporates *Strauss 3*
>11:00-12:00 Can the rouble become a global reserve currency? *Room 3, Hall C*
> 11:00-12:00 Payment systems: how to monitor risk while improving liquidity and information flow *Room 1, Hall A*
>11:00-12:00 European custodians and CSDs: adapt or perish? *Room 2, Hall C*
>14:00-15:00 Payments at a tipping point – growth or terminal decline? *Room 2, Hall C*
>14:00-15:00 From the SEPA revolution to e-invoicing *Room 1, Hall A*
>14:00-15:00 What is the future best practice for the securities market in Russia and CIS? *Room 3, Hall C*
>14:00-15:00 How are Brazil's capital markets shaping Latin America's future? *Lehar 1&2*
>16:00-17:00 Reforming financial markets: Are intervention and innovation uneasy bedfellows? *Room 1, Hall A*
>16:00-17:00 Low-value payments – do banks really need ACHs? *Room 2, Hall C*
>16:00-17:00 Where will the major financial centres be in 2013? *Room 3, Hall C*
>16:00-17:00 Regulation and how it influences market development: can we learn from experience? *Room 210*

SWIFT Auditorium sessions
>10:00-10:45 SWIFT's expanding supply chain portfolio: the art of co-operation *Strauss 1*
>11:00-11:45 SWIFT's solutions for securities pre-settlement: beyond FX, and beyond matching *Strauss 1*
>12:00-12:45 Turning exceptions and investigations into competitive advantage: the time is now *Strauss 1*
>14:00-14:45 SWIFT's connectivity and messaging for customers with low traffic requirements *Strauss 1*
>15:00-15:45 swiftcommunity.net *Strauss 1*
>16:00-16:45 Leveraging operational best practice: the Business Assessment Programme *Strauss 1*

continued on page 2

"The leveraged investment banking model is broken."

David Hodgkinson, group chief operating officer, HSBC

Crisis demands fresh approach to risk

Financial crisis caused by risk failure at senior levels

Only a full-scale reappraisal of risk management and an overhaul of capital adequacy regulation can prevent future banking crises, delegates were told yesterday in the first of Sibos 2008's Big Issue debates.

Bill Rhodes, senior vice chairman, Citi, and David Hodgkinson, group chief operating officer, HSBC, both called for banks to institute independent risk management functions.

"Management must be tough enough not to get into new areas until they fully understand them," said Hodgkinson during the panel discussion, 'Financial system risk – the shockwaves continue. What next?' "And it is absolutely the responsibility of top management to maintain the balance between risk and reward," he said.

"The chief risk officer must have access to the board and report to the CEO," said Citi's Rhodes. "We must also have adequate capital reserves. The old saying goes 'Liquidity kills banks'. At times like these, it's important to have first, second and third line of defence in terms of liquidity."

Still digesting the overnight news of Lehman Brothers' Chapter 11 bankruptcy protection filing and the hasty alliance between Merrill Lynch and Bank of America, Sibos delegates were offered a smorgasbord of

continued on page 2

continued from front page

Special interest sessions
>11:00-12:00 Foreign Exchange Market Practice *Lehar 4*
>11:00-12:00 Mobile Payments – trends, technology and outlook *Lehar 3*
>14:00-15:00 TARGET2-Securities *Strauss 2*
>16:00-17:00 TARGET2 & CCBM2 *Strauss 2*
>16:00-17:00 Public institutions in a SEPA context *Lehar 4*

Standards forum
All on stand A715 unless otherwise indicated
>10:15-11:00 Co-existence – what does the shift from MTs to MXs mean to you?
>11:00-12:00 Foreign exchange market practice *Lehar 4*
>11:15-11:45 XBRL – Reaching a new horizon
>12:15-12:45 'In conversation with' Cover payments – are you ready for 2009?
>14:00-15:00 ISO 20022: it's time for adoption *Lehar 3*
>14:15-14:45 The SWIFT Standards Repository: An implementer's view
>15:00-16:00 Customers first in standards
>16:15-16:45 Banking Industry Architecture Network (BIAN) – standardising banking SOA

Forum for corporates
> 09:00-09:40 Treasury management case studies *Strauss 2*
>10:00-10:40 Growing your market share using SWIFT *Strauss 3*
>14:00-15:00 ISO 20022: it's time for adoption *Strauss 3*
>16:00-17:00 Payment factory case studies *Strauss 3*
>17:00 Corporate forum closing reception

Big issue and big headline collide

Yesterday's Big Issue debate: 'Financial systemic risk: the shock waves continue – what next?' was given added poignancy by the breaking news of Lehman Brothers' Chapter 11 filing and Bank of America's USD44 billion purchase of Merrill Lynch. Would banking ever be the same, asked delegates, as they struggled to make sense of the news?

"Everyone is wondering what impact this will have on the industry. There have been signs that Lehmans were in difficulties, but we really thought they would find a solution. Banks are now worried and this is going to add to the problems the financial industry is already experiencing. With regards to systemic risk, banks definitely need to change strategy, but I am not sure how."

Leanne Pillay, senior manager, financial services department, South African Reserve Bank

"Both regulators and the industry need to think about how they'll deal with this – but the onus is especially on banks, individually and as an industry. The question is: who's next? All banks are leveraged. That's what banks are about."

Thomas S. Newman, Thomas Newman Consulting

"Some banks are vulnerable – but I won't mention names."

Ties Henrich Tiessen, product management, executive director for global wholesale cash solutions, UBS

"This crisis is a result of the fact that the financial services sector has been working on the wrong strategic platforms. They have been pushing the asset side of the balance sheet, rather than the liquidity side. The asset side is influenced by bonuses and short-term strategy in order to please shareholders. Shareholder value is very short term, so if the management of the banks had a long-term view, they may have been sacked by the shareholders. I don't think [Lehman Brothers] will find a buyer. The Federal Reserve bank will have to take over the bank."

Einar J. Lyford, senior advisor, Financial Services Authority, Norway

"Everyone who had investments with Lehman Brothers will be worried that their bonds are worthless. The news came as a big surprise because everyone expected that Bank of America would make an offer for Lehman Brothers. But now they are buying Merrill Lynch instead. The question now is: who will buy Lehman? Who has enough money?"

Andreas Steiner, lead account manager Austria & Slovenia, markets division, Thomson Reuters

"I wasn't expecting this news. And it concerns me a lot and is certainly having a knock-on effect for Australian banks, whose share prices are going down. I think this is going to have a huge effect on how people are viewing systemic risk and there will be many of us here who are very concerned. It will affect people across the board."

Michael Swannell, executive manager, payments, Indue

"Japanese banks are not facing the pressure to the same extent as Western banks. No one is immune from the wider economy, but Western banks were on an upward slope and that has changed. Japanese banks had decades on a downward slide and now they're moving upwards."

Niroshi Nishihara, chief technology officer, Aozora Bank

"Banks were already reluctant to lend, and they'll be even more cautious now. They're uncertain about what the impact will be. They'll wait and see – and they'll be cautious about lending in the meantime."

Khalifa Moufid, trade finance operations manager, Banque Saudi Fransi

causes of the crisis that has spread from the US sub-prime loans market across the global financial system, and were then presented with a shopping list of remedies.

What went wrong? Pretty much everything, summarised moderator Martin Wolf, the chief economics editor of the Financial Times, after the panel listed inadequate regulation, reckless monetary policy, failure to understand or price risk, excessive compensation packages, shareholder pressure and mis-selling among the 'parents' of the current financial crisis.

Who's to blame? "Policy makers and regulators are perhaps responsible for about half of the problem, but the banks that rushed lemming-like after risk spreads are at least as guilty," said Professor Willem Buiter of the London School of Economics. A former member of the Bank of England's monetary policy committee, Buiter also pointed the finger at financial regulators for continuing to act on a national rather than global level. "By allowing competitive regulatory arbitrage, they created a soft-touch environment in which names, rather than risks, were regulated," he said.

What next? What should banks and regulators do now? Buiter said that only a coordinated global regulatory effort could address the excessive leverage of global financial institutions. "At the very least, this requires more coordination between the EU and US, but it also increasingly needs the involvement of fast-developing economies such as China and India," he said. Buiter also proposed significant revision to how banks' capital adequacy levels are calculated under Basel II. As well recommending that off-balance sheet liabilities attract the same level of regulatory capital as on-balance sheet items, Buiter dismissed the use of internal ratings models as a "wholly conflicted and pro-cyclical notion." Marking to market – a least-worst option, according to Buiter – would need to be offset by making capital adequacy ratios counter-cyclical.

Rhodes also called for a concerted move toward international accounting standards and "international regulatory norms". Gertrude Tumpel-Gugerell, member of the executive board, European Central Bank, said the regulators and central bankers tried to maintain the balance of the financial markets. "We don't want to return to a completely regulated market because of the need to allow innovation. It might be unpopular, but banks need to listen to the regulators when the times are good," she said.

And the investment banks themselves? A better understanding of risk at all levels

"By allowing competitive regulatory arbitrage, they [regulators] created a soft-touch environment in which names, rather than risks, were regulated."

Professor Willem Buiter, London School of Economics

"Banks need to listen to the regulators when the times are good."

Gertrude Tumpel-Gugerell, European Central Bank

and a return to simpler, more transparent financial instruments and processes would be a good place to start. "When you're in a hole the first thing to do is stop digging. But that's not enough in this case. You need to be proactive," said HSBC's Hodgkinson. "The leveraged investment banking model is broken. Capital and funding weaknesses must be overcome. Leverage must be reduced and credit risks must be priced properly."

Securitisation was vital to the future of the industry, predicted Hodgkinson, as a means of distributing risk. But the taking of significant levels of proprietary risk onto investment banks' balance sheet would have to come to an end. "To return to normal, asset prices will have to be deemed to be stable with some downside risk. Simplify and standardise will be the key themes going forward," he said.

In terms of risk management, stress-testing and quantitative evaluation had been found wanting due to the interdependent nature of risk. Even if some banks had an accurate picture of their own exposure to the sub-prime market, "Few understood how big the problem was from an industry-wide perspective," Hodgkinson said.

Rhodes agreed with Wolf that compensation packages at investment banks had rewarded higher-than-acceptable risk-taking behaviours. "It's one element, but not the most important," said Rhodes, who added that the forthcoming report on compensation at investment banks by a G-30 committee headed by ex-Federal Reserve head Paul Volcker would "pull no punches". The ability of financial institutions to scale up "infinitely" in a bullish market made them "inherently unstable", said Buiter. "There's something wrong when the CEO can lead a bank into the swamp, then get paid $100m when he leaves."

Finally, the big one. Is the worst over? "You must be joking," said Wolf.

"The chief risk officer must have access to the board"

Bill Rhodes, senior vice chairman, Citi

Publisher: Rosie Halfhead, SWIFT, Managing editor: Chantal Leech, SWIFT.

Sibos Issues is written and produced by Information Partners on behalf of SWIFT.
Advertising is sold by Publishing Events on behalf of SWIFT: k.morrey@publishingevents.com. Tel: +44 20 7841 5963.
Printed in Austria by Bauer Druck

Writing the next chapter for SWIFT

SWIFT chairman and CEO set out the achievements and challenges that have engaged the co-operative over the past year and the new areas on which SWIFT plans to focus.

"Every customer has a choice. We just want SWIFT to be your first choice."

Lázaro Campos, SWIFT

Yawar Shah, chairman of SWIFT, set out his intentions for the afternoon plenary as threefold: to provide a strategic update from the SWIFT Board; to reflect on the increasing diversity of SWIFT's stakeholders and its implications; and to offer "an additional way to think about SWIFT."

He began by reiterating developments in pricing (see page 5) over the past year. While the current objective is to halve prices by 2011, said Shah, "I have challenged the Executive to surpass that objective and to get it accomplished by the end of 2009."

He then described the outcomes from the last Board offsite, which involved close collaboration between the Board and the new leadership team of SWIFT. Having taken stock of the 2010 strategy, the group identified five additional areas of focus. The first was European harmonisation. The growing role of pan-European infrastructures, he noted, "creates opportunities for SWIFT to connect these infrastructures to our customers."

The second, he described as Easy SWIFT. "Making SWIFT easier was not enough," said Shah, "SWIFT needs to be easy. Period." BRICs, corporate access and worker remittances were three other areas that would repay further focus.

Shared services

An additional way to consider SWIFT, said Shah is as the original shared service model. "What are you considering outsourcing to a third party that SWIFT could do for you?" he asked. The financial institutions that form the community are in a position to define the co-operative space. "You tell me what should be next," Shah said.

CEO Lázaro Campos noted that Sibos was last held in Vienna 20 years ago. Looking at today's challenges for the community, Campos acknowledged that times are hard and according to the earlier Big Issue debate, they are going to get tougher. Though well on the way to beating the 50% reduction pricing challenge set for 2011, Campos pointed out that it is more needed than ever before given the current market conditions.

Beyond messaging costs themselves, said Campos, total cost of ownership is an important metric for most users of SWIFT. Much has been done to reduce the cost and complexity of connectivity, interfaces and integration with back office applications, he noted. He unveiled Alliance Lite – "a new means to connect to SWIFT as easy as logging into a secure web site."

Campos described Sibos as "a great opportunity to find out more and for the SWIFT team to gain deeper insights into how it can add more value to the business of its customers. "Every customer has a choice. We just want SWIFT to be your first choice," said Campos.

Campos concluded with a reference to an initiative that in some way was born at Sibos in Boston: the One Laptop Per Child project, presented at a breakfast session last year. "In December, your Board approved the funding of EUR 3 million to support the ongoing rollout of OLPC," said Campos. This year, he said, "SWIFT will match your donations in support of this worthy initiative."

"Making SWIFT easier was not enough. SWIFT needs to be easy. Period."

Yawar Shah, SWIFT

One Laptop Per Child is present at Sibos!
Take the opportunity to visit their booth in Conference Hall A, next to the Welcome Lounge
OPLC will also be holding an information session on **Thursday 18 September from 10:00-11:00** am in *Lehar 3*. They will give an update on the whole initiative and focus on the deployment of laptops in the supported countries.

SWIFT delivers on pricing promise

Fixed fee scheme proves popular among high-volume customers

John Ellington, Royal Bank of Scotland and SWIFT Pricing Board Task Force

Francis Vanbever, SWIFT

Under *SWIFT2010*, the strategic plan guiding SWIFT's operations until the end of the decade, the co-operative has set itself the challenge of repeating its earlier achievement of a 50% decrease in pricing over five years. "We are actually ahead of where we expected to be by this point and are well on track to meet the 50% price reduction," says SWIFT CFO Francis Vanbever.

Last year saw the introduction of a new strategic pricing option for high-volume users, based on a three year fixed fee. Those signing up can increase their yearly messaging usage by up to 50% at no extra cost. "We targeted the largest players first," says John Ellington, director, global transaction services operations, UK & Europe, The Royal Bank of Scotland and chairman of the SWIFT Pricing Board Task Force, "since additional volume growth is most likely to come from this group in the first instance."

The results so far are impressive. Of the 52 banks initially targeted, 32 have already signed up. These account for 55% of total SWIFT traffic, says Ellington. Others are in the pipeline. "For those who haven't signed up yet, there's normally a good reason why," says Ellington. They may for example be in the process of a corporate reorganisation as a result of a merger or are working their way through an internal approval process.

The strategy took as a starting point that large users have a range of options for their messaging, many based on fixed charges, as opposed to the traditional SWIFT approach of pricing per click. It would also provide predictability in pricing charges.

While it is probably too early to judge the impact of the strategy on those who have signed up in recent months, Vanbever believes the strategy has achieved the objective of making SWIFT a more attractive long-term option for this constituency. "We have anecdotal evidence that the fixed fee deals have killed the business case for removing traffic from SWIFT," he comments. In addition, says Andre Boico, director, pricing and information services, SWIFT, "There are a number of cases, where the fixed fee was a trigger for moving traffic onto the network."

Accelerating traffic growth involves the implementation of individual customer strategies and projects. "Our account managers are looking at ways of helping our customers reap the benefits of the free entitlement," says Vanbever. "This additional traffic will, over the long term, bring economies of scale that will benefit everybody."

Low volume customers

For smaller users, says Ellington, the issue is more total cost of ownership (TCO) than the price of individual messages. The focus has therefore been on reducing connectivity and infrastructure costs for these customers. "That's where Alliance Lite comes into its own," says Ellington of the new connectivity product to be launched today at Sibos. "We have a number of pricing options that will be announced during the week." Customers can either opt for a fixed monthly fee, which brings entitlement to a certain amount of traffic or operate on a pay-as-you-go basis with a fixed amount per message.

The entire community, meanwhile is benefiting from the structural price reductions put in place last year and which also herald a shift from rebates to upfront price decreases. "Last year, we gave a 10% price reduction and a 15% rebate," says Vanbever. "This year we have seen a 15% structural price reduction and only 5% rebate. That doesn't mean that rebates will disappear, but as we are more aggressive with the structural price reductions, there will be less room for rebates."

Economic climate

The tough economic climate that the community has been experiencing over the past year has reinforced SWIFT's ambition to meet expectations in regard to pricing. "Although, up to now, the credit crunch has not affected our volumes, our owners are under tremendous cost pressure and that gives us even more of a responsibility," he says. "That's visible in the way we are approaching our 2009 budget. It has a special focus on cost control, because that's what the entire industry expects."

A further indication of this sensitivity is the reduction in pricing for TARGET2 and EURO1 messages agreed by the SWIFT Board over the weekend preceding Sibos. "Hundreds of banks active in the euro space will benefit significantly," says Boico.

"In 2009, we are also looking at other ways to reduce TCO for smaller users," Vanbever adds. "We will continue to take targeted pricing actions to respond to competitive pricing situations. We will apply our attention in areas where there is elasticity."

Trade finance expertise customized for your bank.

Increased competition, regulation and new trends in supply chain management are driving your clients to demand more sophisticated trade finance services. The Bank of New York Mellon's award-winning white label solutions can help you meet their needs—and reduce the added risk and investment these programs require. With our expertise, you can help your clients remain competitive and reach their highest goals.

Asia: S.W. Chu +862 15 879 6622
Europe and Middle East: Dominic Broom +44 207 964 7083
Latin America: John Hernandez +1 212 635 8067
US: David Cook +1 212 635 7863

Visit us at SIBOS stand C116.

bnymellon.com/tradefinance

THE BANK OF NEW YORK MELLON

Upstart clearers challenge the status quo

Panelists at odds as to whether competition or cooperation offers the most practical solution to Europe's complex clearing and settlement environment.

"Consolidating risk in a single place across multiple instruments was something to be strongly opposed."
Jan Bart de Boer, EMCF

The invitation only session for securities market infrastructures covered a wide range of updates on many topics of interest including the progress of regional associations, opportunities for CSDs and ICSDs in mutual fund distribution in Asia and Europe and an update by Euroclear on the developments within ISMAG.

However the subject that elicited greatest interest from the audience was a discussion moderated by Chris Skinner, CEO of Balatro that brought together Alberto Pravettoni, managing director, corporate strategy at LCH.Clearnet and Jan Bart de Boer, chairman of the supervisory board of EMCF. Even without the third scheduled panelist, Diana Chan, CEO of EuroCCP, the session provoked some clear and important differences of opinion.

Pravettoni enunciated what Skinner described as the 'established view'; namely that the two main roles of a CCP were to lower clearing and settlement costs and reduce risk. Recent events were bringing the latter role back into sharper focus, and he was firmly of the view that clearing multiple instruments and 'consolidating' risk was beneficial in allowing users to lower their capital requirements through netting of positions in different but related instruments. De Boer by contrast argued "especially in the present circumstances, that consolidating risk in a single place across multiple instruments was something to be strongly opposed."

Raising the Giovannini barriers

The panelists also disagreed on how best to progress towards a pan-European environment. Pravettoni believes that the only way forward is to remove the Giovannini barriers and then allow competition. As a provider of clearing services to the first genuinely pan-European MTF (Chi-X), de Boer clearly feels that new businesses, "unburdened" by legacy infrastructure and high personnel costs, could and should drive change and seek ways to minimizes the burdens of individual market inefficiency. Understandably he is a strong supporter of TARGET2-Securities, the proposed ECB settlement service. While local market CSDs now seem to have embraced that initiative, it has not been without vociferous detractors. Both panelists agreed that some recalcitrant markets such as Spain and Italy continue to put up barriers to protect local institutions. However, de Boer explained that these are seen by ECMF as temporary shortcomings within a pan-European service offering, not as a reason to not offer a service in all markets where it is practical and economically viable.

By way of introduction, de Boer began by explaining that the development of Chi-X, and other MTFs, and new clearing and settlement capabilities such as EuroCCP and ECMF, was the direct result of local regulators allowing previously non-profit exchanges to become 'for profit' monopolies. MiFID and other changes emanating from the European Commission were a response to stimulate competition. As Skinner suggested, new specialist entrants were in a position to provide a "leaner and meaner" structure. As an example of this approach de Boer volunteered that ECMF employed only seven people directly and only two in risk management, despite clearing more than one million transactions per day. This comment, made in response to an audience question, elicited a 'sharp intake of breath' from some. Even so no one challenged him to defend or explain what might be considered as taking 'light touch' risk management a 'step too far.'

More fragmentation

In considering the future of clearing and settlement, Pravettoni and de Boer agreed that in the short term there would be further fragmentation of service provision. This would in turn be followed by reconsolidation. At this point views once again diverged, with Pravettoni offering a future that was an extension of the LCH.Clearnet business of accommodating multiple asset classes within a narrowly defined country or regional environment. In line with the specialist approach of ECMF, de Boer sees the future as having focused capabilities organised around individual asset classes, or even subsets, such as large capitalisation equities. These would however, be built to accommodate regional or even global coverage. He even suggested only half jokingly, that ECMF would consider launching a service for US equities in direct competition to DTCC, the ultimate challenge by an upstart to the status quo.

One comment/question from the audience suggested that given effective competition, and in light of problems last week at the LSE, dealers might simply route the majority of orders to one or more new MTFs such as Chi-X and Turquoise. This would allow avoidance of almost all 'exchange controlled' fees for reporting settlement and clearing, as well as obtaining finer pricing and lower latency. Asked how they would respond to such a 'paradigm shift' both panelists struggled to offer a coherent response. Perhaps this illustrated the most pertinent aspect of the discussion. Operations and technology professionals may propose and develop options in the market, but in the end it is the front-office traders who dispose.

Banking for the masses

The wisdom of crowds will drive banking innovation for the Wiki generation.

"Technology doesn't come from technologists anymore. It comes from consumers."
Peter Hinssen, A-cross

Whatever Web 2.0 is, it doesn't come naturally to anyone over the age of 20, according to A-cross CEO Peter Hinssen.

The opening panelist at a session on 'Web 2.0: The collaborative landscape', he claimed: "Young people are digital natives. If you only look at it from the perspective of digital immigrants – people who remember what a modem dialling sounded like – we'll fail." Natives – in contrast to immigrants – have VOIP, rather than the phone, as their default. Digital immigrants send email; natives rely on instant messaging.

Yet he acknowledged most of the distinctly post-20s audience came to the digital revolution as 'immigrants', rather than 'natives' – trying to fit an approach based on command-and-control into an essentially bottom-up model. "Consumerisation has embedded technology into everyday lives," said Hinssen. "Technology doesn't come from technologists anymore. It comes from consumers."

In contrast to the bilateral paradigm of Web 1.0, Web 2.0 is characterised by multilateral digital collaboration. As an example, Hinssen cited Wikipedia's "self-correcting mechanism". Similarly, to understand Web 2.0, banks need to abandon fantasies of top-down control and embrace what another panelist, Joachim von Heimburg, a former theoretical physicist and now director of corporate R&D at Proctor & Gamble, described as "the wisdom of crowds".

But why should banks change the way they innovate? "Imagine your customers involved in the day-to-day design of products and giving you daily – rather than occasional – feedback," said SWIFT head of product innovation Kosta Peric, introducing the panel session. "Customers could become partners – and that's where you truly gain benefits."

The increased cost of innovation, more demanding consumers, aggressive competition and vertiginous growth targets are driving the need for change. "The old, closed model was enter from the left, exit to the right. The Web 2.0 model is based on open innovation. It drives up speed, drives down risk, and potentially creates new distribution channels," said von Heimburg.

The problem is that most non-geeks – not just bankers – resist change. Described by Peric as "an evangelist" for Web 2.0, Hinssen said: "We technologists love change. The problem is that everyone else hates it."

He added: "The hype in Web 1.0 was that once you went online everything would change but people tend to put everything in the old analogy. If you remember Netscape, it was tied into the old metaphor of software. Google is tied into a new metaphor, focused on the server."

'Mashup'

Another consequence of the second phase of the digital revolution is the potential for 'mashup'– that is, "combining things in an interesting way." Till Guldimann, vice chairman of Sungard, suggested SWIFT could harness this potential to develop a model involving collaborative webservers with selectively shared data contributed freely via easy web access.

The question, he said, is whether SWIFT might do the same for banking – getting involved in collecting and sharing data, establishing a web services hub outside its own hardware, and combining data to offer new services. "I think SWIFT could – and should," he said.

This hub might include a SWIFT directory and payment status reports updated by members. "There could be a race between service providers in offering information," he said. "Competition drives change."

Von Heimburg suggested that in the new phase innovators would connect and develop, rather than research and develop. "We need to harness collective wisdom and wisdom from outside," he said. "The dark side of innovation is NIH – 'not invented here' – and the idea that what we didn't invent has no value," he said.

He pre-empted the scepticism of 'digital immigrants' reluctant to believe more web hype. "I come from the real world, where real people spend real money on real products," he said. "We're not looking for ideas – I have plenty of those. We're looking for solutions, for ready-to-go products, devices and packages." This depended on developing external innovation networks, and sharing risks and rewards among partners.

The downside to the brave new world of collaborative innovation is the threat of disintermediation, Peric suggested in his introduction to the subsequent SibosLab session 'If the network powers Web 2.0, how do we leverage the power?'

"If we look ahead, we might not have banks," he said. "What if Warren Buffet opens up a network? What if Paris Hilton sets up a network? Now that's scary."

Risk of interdependencies must be managed

Faced with flood, fire or earthquake interlinked high-value payment systems have to run no matter what.

When Hurricane Ike blew through Texas over the weekend it caused severe damage to J.P.Morgan's 17-storey office building in Houston Texas, which is home to some of the bank's global databases. However, when the financial markets opened on Monday morning, the bank was doing business as usual, the damage caused to its databases having been mitigated beforehand.

This resilience to risk in the high-value payments market was one of the key themes that emerged from the conference session, 'What are the next milestones for high value payments market infrastructure?' It soon became clear that disaster mitigation was uppermost in the minds of several panelists who understood the importance of continuity in the high-value payments industry. J.P.Morgan's Sue Webb, executive vice president and executive in treasury service products, outlined the importance of disaster risk mitigation from personal experience: "Resilience is core to any infrastructure. We wouldn't ignore it and would do so at our peril."

This sentiment was echoed by the Federal Reserve Bank of New York's Lauren Hargraves, senior vice president, wholesale product office, who cited the imperative of payments continuity after 9/11. Bank of Japan's Haruyuki Toyama, deputy DG in the payments and settlement department, added that, "In Japan, the greatest risk is from earthquake and it is not uncommon for employees to spend the night sleeping on the company premises." Although this goes well beyond the call of duty for most employees in the financial services industry, it highlights the issue of mitigating threats to system continuity and safety.

The importance of high-value payments was outlined by Gilbert Lichter, CEO and secretary general at the EBA Clearing Euro Banking Association, who noted that the market is now turning its attention to increasing efficiencies in high-value payments and their market infrastructures. "The market needs to be more aware of the difficulties caused by a possible technical outage in the high-value payments infrastructure," he said. "It is important for the system to stand for absolute robustness."

CPSS report

Interdependence of regional payment systems and interoperability were also key themes. The panel made frequent reference to a recent report produced by the Committee on Payment and Settlement Systems (CPSS), which analyses the risks inherent in the mutual dependence of the many regional payment systems that form the global payments infrastructure. "The CPSS report is not saying that the interdependencies are bad, but that they need to think upfront to ensure that systems can run no matter what," explained Hargraves.

The CPSS report highlights some of the risk management challenges that arise due to this interdependence. The EBA's Lichter said this is an issue that the market urgently needs to understand fully. "Interoperability between high-value payment systems in the eurozone is less of an issue, but between systems using different currencies, there are difficulties." he observed.

Blurring the lines

The panel also addressed the issue of payment systems processing for both high- and low-value payments. The blurring of the boundaries between low- and high-value transfers was generally greeted with scepticism by members of the panel. The Federal Reserve's Hargraves called into question whether high-value systems can continue to achieve economies of scale if they are also processing low-value payments and if they would be able to maintain robust resilience.

Interoperability was another of the session's buzzwords, with the speakers highlighting the need for high-value payment systems to enable users to manage their own liquidity within the system. Bank of Japan's Toyama predicted teething problems ahead. If Japan aims to integrate its high-value system with other regional systems it will have to overcome several difficulties such as the fragmentation in the Japanese banking sector and the use of Japanese characters rather than Roman script. The EBA's Lichter raised the issue of how much access the public sector should have to the payments infrastructure.

When asked for their thoughts on the future of the high-value payments market infrastructure, the panel showed feelings of optimism mixed with trepidation. While Hargraves expressed the opinion that the CPSS report might lead to new risk assessments, she acknowledged that this will require a better understanding of how to assess risk. "There is definitely a need to think more broadly and to stop thinking in silos," said J.P.Morgan's Webb. "However, it might take a while for this to come about and will be similar to herding cats."

Enabling richer relationships

How can the SWIFT platform be leveraged to extend value to corporate customers?

A morning panel on 'Extending the value for corporates' set out to explore the ways in which corporates and banks can work together to add value beyond traditional treasury and cash management services.

Introducing the session, moderator Richard Parkinson, managing director, Treasury Today, asked Dennis Sweeney, deputy treasurer, treasury services, GE Corporate Treasury to summarise his five-year experience as a corporate SWIFT user. The story, said Sweeney, was largely positive. Having taken the first steps in 2003, GE now connects to 65 banks using FIN and 16 through FileAct.

"There were, however, bumps in the road," said Sweeney. Readiness among GE's banks varied. "The large transaction banks with which we started the process were well-prepared," said Sweeney. But a number of others had to be more or less dragged into the process. A particular hurdle was the lack of a standard legal agreement among the various banks. While the situation has improved significantly with the elaboration of a template by SWIFT, differences still persist.

Banks themselves have needed to revisit their own SWIFT processes. "We've had to reengineer our SWIFT infrastructures to meet the needs of how corporates want to interact with us over SWIFT," said Gary Greenwald, head of information services and capabilities architecture, Citi. Part of the issue, acknowledged Marilyn Spearing, global head of trade finance & cash management, corporates, Deutsche Bank is that banks that are used to communicating with each other over SWIFT have developed ways of doing things between themselves "that are not exactly what it says on the tin."

For Fernando Lardies, global head of cash management, Santander the biggest challenge from the corporate perspective is with FileAct. FIN, he suggested, "is relatively straightforward to implement, but FileAct provides a bigger workload for corporates."

The session went on to consider the supply chain, bank account management and Exceptions and Investigations as fruitful areas for corporates and banks to explore together on the SWIFT platform.

The Trade Services Utility (TSU), for example, is a utility, not a service, stressed Spearing. "It aims to facilitate communication. How banks embed it in their products is up to each of them." However, trade services remains an area with significant fragmentation, according to Lardies, with numerous local solutions.

As for bank account management, Greenwald described it as "a very paper-laden, arthritic process." The breakthrough, he suggested, would be when a legally binding digital signature is accepted in all situations and jurisdictions. Meanwhile, new ISO 20022 messages for bank account management are set for a first release end-2008 or early-2009. "Regulatory issues may present challenges in some markets, but we have to start somewhere," said Greenwald.

Speaker issues

Faced with flood, fire or earthquake interlinked high-value payment systems have to run no matter what.

Reforming financial markets: Are intervention and innovation uneasy bedfellows?
Tuesday 16 September – 16:00-17:00

Speaking at this afternoon's session on reforming financial markets, Marianne Brown, president & CEO, Omgeo will argue the case for central authority intervention to prevent market failures.

Which side do you plan to argue in the debate: "This house believes that except in the case of a market failure, central authority intervention has no place in the development of efficient and effective capital markets"?
I have been asked to argue that central authority intervention does indeed have a place in the development of efficient and effective capital markets. I am looking forward to the debate, as the topic is so timely. Today's financial landscape is experiencing heightened scrutiny and regulation is at the centre of many issues. It is important to note that central authority intervention doesn't automatically mean heavy-handed regulation. It can mean instead that one body is in the driver's seat, enforcing certain principles and market practices to ensure a market failure doesn't occur. A light touch, proactive approach can be successful without the threat of being overly dictatorial.

The collapse of Bear Stearns virtually overnight, the sub-prime mortgage crisis and the SocGen situation have all spurred debate over the role of central authorities. With so many 'crises' plaguing our industry at the moment, we have to pause to ask if intervention prior to these situations, intervention in a proactive sense, could have helped to prevent these events. Where we run into trouble is when regulators are forced to react to a market failure or crisis. This is not an enviable position, because a crisis, by nature, requires an immediate solution. Often, the need for timely resolve means that regulators must go it alone to define the rules, rather than solicit the involvement of market participants in reaching a solution.

If the industry were to self-regulate, rules would be more sustainable because the best interests of the marketplace (as defined by its participants) would be the foundation of those rules. However, this isn't always possible, as there are often many viewpoints to consider that aren't necessarily in agreement with each other. Intervention by a central authority can play an important role as a mediator between two sides with differing desired outcomes. It is important for any kind of action to bring these opposing views together so the markets can continue effectively, efficiently and in a way that benefits the parties involved. Also, public authorities often have a long-term goal in mind, which can help commercial firms think beyond an immediate solution. While it would be ideal for market participants to take it upon themselves to create and maintain efficiency and effectiveness, there are times when a central body can step in to help identify and drive the market toward the end goal that we're all striving for.

> "If the central authorities help identify a specific end and the market is left to determine how it gets there, intervention can certainly promote innovation."
> Marianne Brown, Omgeo

Do you believe regulatory intervention stifles or promotes innovation?
When it comes to promoting or stifling innovation, intervention can do both, depending on the command. If the central authorities help identify a specific end and the market is left to determine how it gets there, intervention can certainly promote innovation. However, if the intervention dictates how to achieve the outcome, then innovation can certainly be stifled. Intervention should not be overly prescriptive; otherwise in order to comply, the industry is left with a to-do list and check-boxes to mark. It is almost a guarantee to undermine innovation because the only thing on market participants' minds is "how can we comply with the rules?" But if intervention helps to identify a goal, the market is left to use innovation and creativity to achieve that goal efficiently and effectively.

How far do you believe regulatory intervention should go?
Intervention should go only as far as needed to protect investors and correct any misalignments within the industry. Policies and procedures need to provide incentives around the future growth of the global marketplace. They mustn't inhibit a firm's ability to participate in the global marketplace. Rather, such motives should facilitate success on a global scale and barriers to entry must be eliminated. The more standardisation in place across markets (which intervention can help provide), the less likely significant disruptions will exist as firms move from a domestic to a cross-border environment.

Ideally, the securities industry should be able to pre-empt regulation by acting in accordance with investors' interests, thereby giving authorities confidence that internal risk controls are effective. Most national regulators acknowledge that policies are most effective when instigated as closely as possible to the regulated activity, like through internal controls and audit trails. Where the industry has not been able to self-regulate, the use of intervention may be necessary to correct misalignments between players.

To what extent will the credit crunch lead to more regulation, and what impact do you believe this will have?
First, we must recognise some very effective improvements the industry has already made, without formal regulation in place. In 2005, The New York Federal Reserve expressed grave concerns over the lack of automation in derivatives trade processing. As a result, the 'Fed 14', made up of 14 of the leading broker-dealers, agreed to take measures to improve their derivatives backlogs. Today, impressive strides in efficiency have been made, without official intervention. A vast majority of credit derivatives are confirmed on T+1 and most credit default swaps are now matched and confirmed in Deriv/SERV.

Certainly, more regulation will occur in this space. This summer, the SEC and the Fed in the US acknowledged the need to establish an agreed-upon framework for derivatives to address some of the key concerns emerging from the credit crisis. Such a framework can create a standardised infrastructure and help prevent a repeat market failure; when there is an agreed-upon set of processes and infrastructure, everyone plays by the same rules. However, because the industry is in crisis-mode at the moment, we need to be careful when setting that framework since regulation can be more heavy-handed when intervention is reactionary. The most effective, sustainable way to create such a framework will be for the entire community of market participants and regulators to work together.

How do you believe the right balance can be struck between adequate regulation, and adequate freedom to allow innovation?
Regulatory intensity has increased markedly in recent years. Some say "too much". The question – a valid question – is whether that intensity has increased to such a degree in some markets as to undermine their innovation. But we must look at what is driving that scrutiny; often, it is in response to a market failure. We can look at mediation by a central authority as a means to avoid market failure rather than respond to it. In that proactive approach, we need to identify the goal we're trying to achieve rather than the means by which that outcome should be reached. The right balance can be found because there is a framework in place to correct any misalignments between market participants, and innovation can prevail because there is no prescription for how we're going to get there.

At the end of the day, the community of market participants should act in a way that does not cause the need for intervention. However, if involvement by a central body is necessary to mediate between opposing views, there is a responsibility among those authorities to use balanced, efficient, light-touch intervention to maintain the integrity, efficiency and effectiveness of today's capital markets. I'm looking forward to addressing the role of intervention in the effective and efficient markets and discussing some successful examples of intervention during my Sibos debate.

Euro SEC remains a 'blue sky' proposition

While a framework of mutual recognition between European regulators and the US SEC has been made possible by the arrival of MiFID, a European SEC is still a long way off.

As the volume of cross-border trading escalates in Europe and investment banks look to expand their global operations, regulatory and supervisory factors on a European level have started to come to the forefront of the agenda for the securities industry.

Combined with the ongoing financial turmoil and the growing interconnectivity between the financial markets, Monday morning's session – 'Does the European Union need a SEC?' – held an even greater significance for Sibos delegates.

Initiatives from the Level 3 European Union groups such as the Committee of European Securities Regulators (CESR) stop short of providing a strong legal basis to prosecute market abusers or fraudsters. "These criminal powers are reserved for the nation state, which they guard with jealousy," noted session moderator Graham Bishop, managing director of a EU focused regulatory news service.

The rise in cross-border trading has posed problems for regulators that have varying approaches for dealing with foreign investment. To combat these kinds of inefficiencies, there are ongoing efforts to create closer cooperation between the regulatory authorities in the US and the EU. Panellists were asked to consider how far these developments should go, and how effective they will be in practice.

MiFID leads the way

Maria Teresa Fabregas-Fernandez, financial services policy and financial markets, DG Securites Markets at the European Commission, regards the Markets in Financial Instruments Directive (MiFID) as the first step in integrating and consolidating financial services in Europe. "MiFID has strengthened the EU's position within the global markets and is the reason why we can now engage in dialogue with the SEC," she said. "This will allow us to create a framework for mutual recognition in the securities market."

"The mutual recognition debate is very important," agreed Geert Vanderbeke, managing director, Fortis Brokerage Services. "However, it should not be selective because we need a level playing field throughout Europe, but what we don't want is to be ruled by two different regulators, locally and regionally."

"What we don't want is to be ruled by two different regulators, locally and regionally."
Geert Vanderbeke, Fortis Brokerage Services

Despite recognising the advantages that convergence between EU member states and the US will bring, all the panellists were in agreement that now is not the right time for Europe to consider implementing a Securities and Exchange Commission of its own to reach this goal. Christian Krohn, director of regulatory policy for SIFMA Europe, noted that for a European SEC to work effectively, an institution would need to manage and represent the individual – and sometimes unique – interests of each of the member states.

"It is difficult to see how a non-eurozone jurisdiction can join a central scheme ruled by the European Central Bank," added Krohn. "Would regulation at a European level be any better than individual member states' regulations? Mistakes will be made, but mistakes at on a continent-wide scale would be of major consequence."

Special interest session – preview

'Lack of clarity' responsible for SEPA DD delay

SEPA and PE-ACH: Evolving service requirement of banks
Wednesday 17 September – 14:00-15:00

EBA Clearing CEO Gilbert Lichter will tell a special session audience Wednesday that lack of clarity on SEPA direct debits is hindering implementation despite banks' "positive" adherence so far to the SEPA rulebook.

Since last year, he says, delays have occurred as banks couple system changes needed for credit transfers and direct debits in order to minimise costs. "The path to SEPA has been steeper than anticipated," he admits. "There is uncertainty over the implementation modalities involved in SEPA direct debits. There's a lack of clarity."

At the session on 'SEPA and PE-ACH: Evolving service requirements of banks', he will update the audience on the introduction of overnight settlement scheduled for December. "If there's a delay between delivery and settlement, there's clearly exposure to settlement risk," he says. "It's no longer confined to local banks. We're in SEPA."

Lichter will also outline progress in EBA's nascent e-invoicing initiative. "E-invoicing is a natural move that technology allows and banks have a part to play in dematerialisation," he says.

Yet obstacles to dematerialisation remain – including security and a lack of an industry standard. "Where you have an asymmetrical relationship – where there's one big seller – they've already made progress towards a standard. But there's the potential for multiple standards."

A very different SWIFT delivers

Structured price reductions, a regional customer focus and service innovations aimed at simplifying access were at the heart of CEO Lázaro Campos' assertion that SWIFT is already delivering on last year's commitment to "change the way we engage with customers."

"Sustained worries among banks are really driving the need for greater efficiency.

Chris Church, SWIFT

Returning to the scene of his first Sibos (Vienna hosted the 1988 event), Campos told the opening plenary of the 2008 SWIFT Chairpersons meeting that much of SWIFT's activity over the 12 months since Boston had been focused on reducing barriers of access, cutting costs and complexity, and "ensuring SWIFT's relevance" as its members faced new challenges.

Responding to the introductory challenge – can SWIFT be smarter, nimbler, simpler? – presented by Alain Raes, chief executive, Europe, Middle East and Africa, SWIFT, Campos highlighted the impending launch of Alliance Lite, a new connectivity package that will reduce the SWIFT onboarding process to five days and installation to five minutes. "Last year, Lite was just a paragraph in my speech, but from 27 October it will offer significantly reduced cost of ownership for new users," he said.

But, said Campos, initiatives such as Alliance Lite demonstrated the continued importance of collaboration between the leadership team and user group chairpersons in achieving common goals. "Due diligence processes, including chairperson endorsement for new users, can last upward of a month at present: we need your help to compress this," said Campos.

In addition to Alliance Lite, SWIFT will also introduce Alliance Integrator, an extension of the existing Alliance interface that is aimed at reducing the cost of the back-office integration of SWIFT's XML-based MX message formats.

Noting the current difficult business environment for financial institutions, Campos asserted that SWIFT's programme of price reductions was structured to ensure lower unit costs for all, "not only for the big guys." Outlining current and new initiatives to reduce the cost of both connectivity and message traffic, Campos announced a 5% fixed rebate to all users in addition to the 15% reduction in unit costs made earlier this year. Campos said that SWIFT had now delivered €180 million in rebates over four years and aimed to achieve 50% reduction in FIN message traffic costs alone across three years.

SWIFT chairman Yawar Shah affirmed that helping reduce costs was one of the key ways in which SWIFT could add value at a time when many users' revenues were under pressure, but underlined that the organisation must also "go on the offensive" to best serve shareholders' and users' interests. Shah welcomed the 300+ suggestions and initiatives he had received this year on how SWIFT could improve and widen its range of services, but insisted that ongoing dialogue was required "to make SWIFT work harder for you."

Shah cited a new initiative sanctioned at the SWIFT Board's pre-Sibos meeting to build a business case for a new service with a reinsurance group as evidence of SWIFT's increased ability to expand quickly into new areas. As well as bringing new parties into the SWIFT community, Shah added that there was still much more that SWIFT could do to reduce costs for its shareholder banks through its core strengths. Based on user feedback, Shah suggested that management of banks' system interfaces and support for shared risk management data infrastructures were areas where SWIFT could bring cost savings by enabling banks to outsource common requirements.

With concerns over data security and regulatory compliance so prominent over the past two years, Campos confirmed that revisions to SWIFT's revised data infrastructure – including the new Swiss-based data centre – are on track for the scheduled division of the SWIFT infrastructure into European and Transatlantic zones in the second half of 2009. Shah added that the SWIFT-brokered memorandum of understanding highlighted at last year's Chairpersons meeting now meant that dialogue on data security issues was now taking place on a purely US-EU governmental level. "Our work over the past 12 months on data privacy and resilience means we're in very good shape to implement a data architecture that also offers flexibility into the future," said Shah.

At a meeting attended by chairpersons from almost 130 countries, both Campos and Shah emphasised the importance of continuing to grow SWIFT's footprint, particularly in emerging markets. Campos said that SWIFT already recognised the need for in-country processing capabilities to deliver services to fast-evolving financial markets infrastructures, adding that dialogue and investment was ongoing. "We have the strategic intent, the investment and the architecture," said Campos. "Similar to what happens in Europe today, the aim is for countries such as India and China to use SWIFT for domestic traffic," added Shah.

Customer focus

In Sunday's afternoon plenary – entitled 'Spanning the world, and staying close' – Rosie Halfhead, head of stakeholder relations, SWIFT, took up the customer-focus baton, leading a review of SWIFT's efforts to address the needs of customers on a regional basis over the past 12 months.

Ian Johnston, chief executive of Asia Pacific, offered SWIFT's work on the dematerialisation of trade documentation with the Korean International Trade Association as an example of SWIFT's ability to expand its reach by working closely with local partners. "The use of the Trade Services Utility (TSU) in Korea is the first ever example of SWIFT supporting a market infrastructure initiative in the trade space," he observed. Such initiatives with local partners were being developed in tandem with an extensive campaign, said Johnston, to "raise awareness of SWIFT in Asia, and of Asia in SWIFT." The fruits so far include

"Several automated clearing houses have adopted FileAct."

Alain Raes, SWIFT

SWIFT-organised business forums in ten cities across the region attended by 2,000+ delegates. To build on the success of the forums, Johnson said SWIFT would increasingly communicate in local language.

EMEA is a very large, diverse area, said Raes, and initiatives addressing the region need to take into account local priorities. One of the objectives in non-EU markets, he commented, is to get closer to the customer. To that end, SWIFT has opened offices in Johannesburg and Dubai, is looking at opening an office in Russia and is currently setting up an office in Vienna, a gateway market to much of central and eastern Europe.

Within the EU, said Raes, harmonisation is a major issue underpinning numerous initiatives across the industry. Taking as examples TARGET2 migration, T2S, CCI and Link Up Markets, to name a few, Raes said SWIFT would be working to ensure that these initiatives implement the SWIFT messaging layers.

"There are already a number of successes to report," said Raes. "Several automated clearing houses have adopted FileAct and in the securities area, we have reached agreement with CSDs in Poland and Hungary."

SWIFT's determination to raise securities volumes and penetrate new markets in the Americas was underlined by the introduction to chairpersons of Chris Church, the newly appointed chief executive for the America's region. Formerly at BT Radianz, Church said he intended to help SWIFT realise its potential. "Automation is nothing new, but sustained worries among banks are really driving the need for greater efficiency," he said.

Local insight

The floor was handed to the chairpersons themselves. In a new initiative, Roger Durepos, national member group chairperson, Canada, Raoul Gufflet of Mauritius and Australia's Owen Philp were invited by moderator David Pryce to share their experiences and recommendations. Durepos and Philp both called on SWIFT to provide greater support for chairpersons by issuing best practice guidelines on voting practices at member and user group levels. As a recently appointed chairperson, Gufflet said he welcomed the opportunity to take a global perspective at Sibos, but suggested that SWIFT events in Africa could be developed to encourage more dialogue with and between African banks. Gufflet's comments were supported from the floor by David Semakula, the chairperson for Uganda. "Providing a forum for African banks to come together would help to show that SWIFT is at work in the region," he said.

Local ambitions for SWIFT's global brand

Extending the SWIFT brand to assist in the development of domestic market infrastructure is high on the list of priorities for new Board members


Hideo Kazusa, The Bank of Tokyo-Mitsubishi UFJ & SWIFT Board


Giorgio Ferrero, Intesa Sanpaolo & SWIFT Board


Colin Klipin, Barclays Bank & SWIFT Board

For Colin Klipin, managing director, global payments at Barclays Bank, it is his second tenure on the SWIFT Board after a gap of well over a decade. "The global nature of SWIFT over the past 10 to 15 years has grown substantially," he observes. "The focus of the Board is far broader with SWIFT not only functioning as a provider of message standards but as part of the infrastructures of the payments and securities market systems."

SWIFT has become a well-established and highly regarded brand, notes Klipin, and the challenge and opportunity facing the Board is to extend the brand further. There is a significant opportunity in this respect for SWIFT to help create growth opportunities within the emerging markets, says Klipin, moving the organisation beyond what he sees as a traditional focus on the OECD. "SWIFT can assist in the creation of domestic payment infrastructures, promoting trade between emerging market countries using electronic payment vehicles and helping these fast developing markets leverage off the technologies of tomorrow such as mobile payments."

By helping create a payments mechanism within the domestic market of emerging economies, if not a catalyst it will serve to grow the domestic economy by moving countries away from dependence on a cash economy, contends Klipin, while new trading opportunities will arise through leveraging new technologies. With this year's focus on corporate social responsibility (CSR) at Sibos, he believes that the advancements that SWIFT can contribute to in emerging markets "take the concept of CSR to a new practical level over and above the types of initiatives that individual banks are able to participate in."

Social responsibility

According to new Board member Giorgio Ferrero, head of payment systems development and strategy at Intesa Sanpaolo, one of the principal challenges facing SWIFT in the years ahead is to take into account the needs and aspirations that reflect the global diversity of the financial industry.

"SWIFT is a global company, but it needs to combine local market needs with global reach," he says. "To reach this goal, I agree with Lázaro Campos – no true innovation is possible without dialogue – and this is our challenge."

Looking forward to this year's Sibos, Ferrero believes the economic power shift and the corporate challenge are factors that will have to be addressed. He also sees the link between corporate social responsibility and regulation – factors that are often considered a burden – as an urgent issue.

"The more you understand the true and embedded meaning of social responsibility, the less you are astonished and unprepared when it comes to regulation," comments Ferrero. "But again, this is all dependent on understanding local issues and starting up a dialogue to achieve this goal."

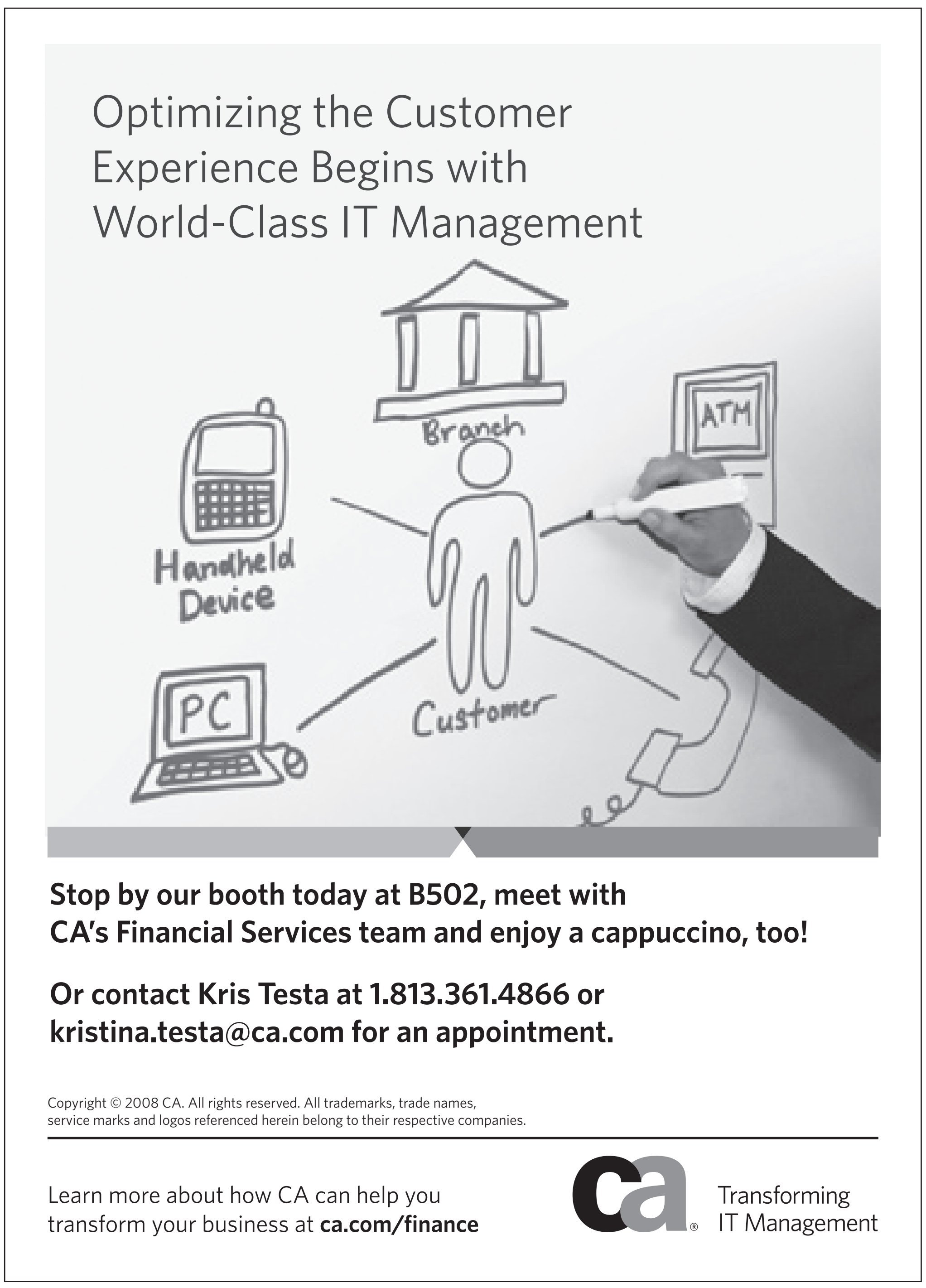
Global standards

Hideo Kazusa, general manager, transaction services division, The Bank of Tokyo-Mitsubishi UFJ, joins the SWIFT Board as the elective from his constituency of Japan. He intends to bring a global perspective, as well as convey Asian and Japanese points of view on the industry issues that are driving the development of SWIFT and wider financial markets that it serves. "I particularly want to highlight what Japan is thinking and what we can contribute to the industry," he says.

In his view the Japanese market is not moving fast enough towards the global standards that SWIFT promotes. "I hope Japan can work with SWIFT to bring us up to these standards and move the Japanese markets forward," says Kazusa.

Global issues, in particular the credit crunch and the ongoing crisis in the financial services industry, will be very much at the back of all delegates' minds this week, he predicts. "Sibos presents a great opportunity for people and firms to meet and understand how everyone feels about the current credit crisis. It will bring together thoughts on the direction everyone feels it will go from here."

Beyond the inevitable focus on the state of the global credit crisis, there will be other topics up for discussion of particular importance to the SWIFT community that have moved forward in the past year. This includes the role of corporates and the continuing adoption of the ISO 20022 standards, he says.



HSBC offers customers a painless solution to IBAN and BIC generation

"This promises to be a win-win for both our customers and ourselves."

Michael Cannon, HSBC

HSBC has chosen Sibos to launch a new Global Payments Directory service in partnership with Petra Financial whose Vortex solution enables the bank's clients to validate and customise BIC and IBAN details before submitting cross-border payments.

"For a variety of reasons it is difficult for many of our financial institution and corporate clients to access the information they need to complete payment instructions in accordance with new SEPA standards," explains Michael Cannon, head of payments cash management in Europe. "By providing accurate payment information that enhances STP while reducing payment delays and the high costs of fixing errors, this promises to be a win-win for both our customers and ourselves."

One unique feature of the Payments Directory service, as Cannon points out, is that besides being available online and updated daily, it is also offered as a CD for those without internet/intranet access.

Bank of America takes the lead on going green

Sibos booth and new building demonstrate bank's green commitment

At this year's Sibos, Bank of America will take the chance to show its commitment to tackling global environmental issues.

Minimising the environmental impact was at the forefront of the bank's plans in the run up to organising its Sibos activities and developing its new headquarters located at One Bryant Park in New York.

The Bank of America booth was made from locally sourced, recycled materials and components that can be dismantled, packed and reused at future events.

In addition, potential clients will not be confronted with mounds of glossy, pre-printed marketing materials at the booth. Instead, the firm has created a website for delegates to review marketing materials on screen for email delivery.

The booth will also feature a mock-up of the firm's new Manhattan headquarters. "We are striving to become the first bank to be awarded the US Green Building Council's Leadership in Energy and Environmental Design platinum certification," said Timothy Gilles, corporate communications executive, global product solutions at Bank of America.

The building will generate a significant portion of its power through a 5.1megawatt cogeneration system that will produce about 70% of its annual energy needs. The cooling system is based on ice that is frozen overnight when power usage is low, so that the electricity used when cooling the building is minimal.

"Implementing some of the systems we have in the building incurred a high cost, so in the first instance it's not about saving money, more fighting climate change and global environmental issues," said Gilles. "Some aspects do provide immediate cost savings however, like the steps we have taken to minimise the use of paper. We have reduced paper usage per employee to just over 40% in the last eight years, so there are obvious savings associated with that."

Speaker issues

Rosanna Salaris, senior vice president, electronic payments network business managers, The Clearing House examines the value proposition that ACHs bring to the market.

Low-value payments – do banks really need ACHs?

Tuesday 16 September – 16:00-17:00

If ACHs didn't exist, would you need to invent them?
Absolutely, there is no question that automated clearing houses are essential to the efficient provision of modern payment systems. While some may argue that today's technology allows bilateral or point-to-point exchanges among banks, technology does not eliminate the cumbersome nature of operations of this sort. Let's look at the benefits that an ACH brings, many of the same benefits that were realised when clearing arrangements began in the 1700s.

An ACH provides many benefits. A central point for editing transactions – there is no need for each participant in a clearing arrangement to contend with erroneously formatted payments, files or lack of attention to the rules. There is also a central point for accounting. Multilateral netting rather than bilateral netting is available, which provides significant liquidity advantages. A central point for risk management, which prevents banks from submitting activity that is beyond their means to settle, as well as offering a network view for monitoring risk related activities, along with statistical centralised network reporting for regulators and users of the system.

What are the practical limits to regional/global consolidation among existing ACHs?
It is not practical to have one global ACH, but it is realistic to expect to see consolidation in regional areas. In the US we started out with 14 individual ACH (11 of which were run individually in each Federal Reserve district) and three private sector ACHs. Over time, with competition came consolidation and we now have two ACH operators. It is important to maintain a competitive environment and in emergency situations it is even feasible that one operator could assume many of the responsibilities of another in the event of a long-term outage.

What issues do you feel should be at or near the top of the agenda during the session?
It is important to continue working on interoperability between ACHs. The International Payments Framework organisation is working on rules and an operating framework that will simplify international credit transfers through global standardisation.

Time off site

Exploring Vienna

Vienna… city of music, culture, delicious food… where do you start?

The majority of Vienna's attractions are within the Innere Stadt (Inner City), so you will be able to walk to see them. Alternatively you could take a more leisurely trip in a Fiaker, a horse-drawn carriage, once used as Vienna's taxi transport but now consigned to a tourist attraction and used for ceremonial purposes. Their ranks can be found at different places around the Innere Stadt, including Stephansplatz, Albertinaplatz and Heldenplatz.

You could take a tram (Strassenbahn) to view the monuments along the Ringstrasse, as they cover 35 routes to outlying districts and are a cheap mode of transport. You could also use a bus, choosing from over 60 lines, or travel by train or underground.

id, ego and superego

Born in Moravia in 1856, Sigmund Freud moved to Vienna at the age of five, where he was a brilliant student and eventually studied psychology at medical school, gaining a grant to study in Paris and Nancy. He returned to Vienna and set up a practice in neuropsychiatry, developing revolutionary theories of the id, ego and superego through his psychoanalytical studies. Freud moved to the UK in 1938 and died there from cancer in 1939.

Although his ideas were revolutionary in their day, currently his theories are challenged as being too focused on sexual processes. However, reading about his work on hysteria, jokes, the Oedipus complex and dream interpretations is certainly interesting!

Did you know… ?

Vienna is home to a macabre museum, the Pathologisch-Anatomisches Museum. Housed in an 18th-century psychiatric ward of the former general hospital, you will discover a morbid collection of medical horrors, begun in 1796 as a means of documenting pathological changes and malformations of humans. Exhibits include human and animal bones and body parts preserved in formaldehyde.

If you have the stomach or curiosity for a visit to this museum, you can find it at University campus, Spitalgasse 2 A-1090. Tel: 01 406 86 72. It is worth ringing as it is not open daily.

Schonbrunn Palace

The Habsburgs were the royal family of Europe, one of the oldest and most prominent dynasties from the 15th to 20th centuries.

The Schonbrunn Palace is the former summer residence of the Habsburgs, designed by Johann Fischer von Erlach and built between 1695 and 1713. Nikolaus Pacassi later redesigned its interior at the request of Maria Theresa, the former empress. Its façade was altered in 1817-19 when it was painted its familiar yellow colour. It has been recognised as a site of historical and cultural importance by UNESCO covering both the building, grounds and furnishings. Among the many lavishly decorated rooms open to visitors, the palace contains the Spiegelsaal (Mirror Room), a space embellished with white and gold decoration and crystal mirrors. It was here that Mozart gave a private performance for the former empress.

The Chinesisches Rundkabinett (Chinese Round Room) is also known as the Konspirationstafelstube (top secret dining room), and was used by the empress so that no servants would be present during mealtimes. A table rose from the floor prepared with a complete dinner for this purpose! In another of the rooms, the Blue Chinese Salon, the Austrian monarchy ended in 1918 when Karl I, the last emperor, renounced his claim to the throne.

The Palace is worth a visit to view its Baroque gardens complete with fake 'Roman ruins', built in 1778 in an attempt to present the Habsburgs as successors to the Roman emperors! A stroll through the gardens will reveal stone statues created between 1753 and 1775, each one depicting a figure from Greek mythology or Roman history.

Schonbrunn also boasts the world's oldest zoo, originally set up as a royal menagerie by emperor Franz I in 1752. It is home to approximately 750 animals and was the first zoo in which an elephant was born (1906). You can come here for a guided nighttime tour, observing the animals through infrared binoculars!

Enjoy a concert by the Schonbrunn Palace Orchestra as they perform famous works from Mozart and Strauss. The concerts take place in the Orangery Schonbrunn and have done so since the time of the Habsburgs when Mozart used to perform there. You are recommended to book tickets ahead of the performance, as they are very popular concerts!

Take the underground train U4 from the centre of Vienna to stop Schonbrunn and the Orangery is diagonally left of the station entrance.

Schonbrunn Palace
Strasse 47
Tel: 01 811 13239

Eating out

Imperial
Kaerntner Ring 16, Hotel Imperial
Vienna Tel: +43 1 50 110-0
Located in the Imperial Hotel, you will be in for a gastronomic treat here! Reservations are recommended so you can sample delights such as cream of potato soup with white truffle oil, beef with Krautfleckerl (small pasta squares with slivers of cabbage in pumpkin seed oil), or turbot with artichokes, caviar, snow peas and yellow peppers.

Morwald
Kaerntner Strasse 22 Ambassador Hotel
Vienna Tel: +43 1 9616-1161
This restaurant is run by Toni Morwald, one of Austria's celebrity chefs, and is possibly the grandest of his establishments. The wine list boasts over 1,000 offerings and dishes you can expect to enjoy include venison with nuts, pureed celery and broccoli.

Anna Sacher
Philharmonikerstrasse 4 Hotel Sacher
Vienna Tel: 1-514-568-40
Dine amongst wood panelled walls, surrounded by paintings by a 19th century artist from Salzburg, Anton Faistauer. Here you can create your own four, five or six course meal or choose from the two seven course menus. Dishes include saddle of rabbit with tarragon, noodles and morels (mushrooms!), essence of oxtail with goose liver bread and for dessert, Sacher-torte (dense chocolate cake) with cream.

Ella's
Judenplatz 9-10
Vienna Tel: 1-535-1577
Come here for Mediterranean dishes such as octopus, lamb, scallops, tuna and tiramisu. You can opt for a meze including goose liver terrine or octopus salad, while drinking cocktails in the bar.

Steirereck
Meierei im Stadtpark
1030 Wien 3 Tel: 01-713-3168
With a list of over 25,000 bottles of Austrian and international wines, this restaurant offers both traditional and 'new Austrian' dishes. Choose from caviar-semolina dumplings, roasted turbot with fennel, sturgeon fillets with pepper sauce and crispy olives or red-pepper risotto with rabbit. The menu changes daily as the freshest ingredients are used.