gpi for Financial Institution Transfers

Early Adopter Program for Service V2

September 2019
gpi for Financial Institution Transfer service (gFIT) - Executive Summary

1

gFIT service is an optional SWIFT gpi service with the purpose to extend current gpi value proposition to Financial Institution Transfers (MT 202, MT 205)

A “tracking only” service (v1) is scheduled to go live in November 2019 to provide visibility of “in progress” statuses for transactions exchanged on FIN.

The service v2 planned for November 2020 aims at bringing the functionalities at the level of gpi Credit Transfer Service.

Based on industry adoption the use of this service will in the future be made mandatory for gpi customers and ultimately for all 10,000 banks across the SWIFT network.

2

Financial Institutions Transfers represent 85% of the total payments value sent on the SWIFT network.

A consultation with the Capital Markets Industry and with Liquidity Industry Groups demonstrates a very strong interest for gFIT’s development to complement current gpi strong value proposition by providing real-time visibility on all cash movements.

There is also a great interest in this development from the Trade community.

3

To support its adoption, SWIFT is starting a gFIT v2 Early Adopter Program starting as from November 2019 and targeting a representative group of 10 to 15 financial institutions.
1. Market Background
Key use cases for gFIT service

**USE CASE 1**
“Trading capacity/ settlement”
FX/ Securities
- Trade Settlement: real-time reporting
- Counterparties Risk monitoring
- Automated Reconciliation

**USE CASE 2**
“Liquidity Optimisation”
Treasury
- Forecasting
  Identification of incoming funds
- Funding – identification of exceptions
- Management – real-time reporting
- Reporting – credit line usage, liquidity usage

**USE CASE 3**
“OPS process efficiency”
Trade L/C’s
- Trade supply chain: visibility on cash, settlement flow & exceptions

**USE CASE 4**
“OPS process efficiency”
Payments Operations
- Exceptions and investigations: reduce number of issues
- Monitoring of service level performance

Value delivered across business lines
The version 2 will take into consideration the needs from Capital Markets users

>30% of FIN payment messages on SWIFT can be linked to Capital Markets activity

- Capital Markets institutions exchange both MT 103 and MT 202 payment instructions with their counterparties. **Their value is significantly higher** than payment instructions exchanged by other types of customers.

- Capital Markets cross-border MT 103s only represent 10-15% of the MT 103s on SWIFT, but **their rate of growth is significantly higher** (10% vs 3%).

- Although there are differences per type of institution and geographical region, most Capital Markets institutions are **heavy users** of the MT 202, and today they represent more than **one third** of all the MT 202s on SWIFT.

Note: Source: SWIFT, based on internal analysis.
What are the benefits of gpi and how would Capital Markets use this service?

We carried out a broad industry consultation, interviewing over 30 large Capital Markets institutions including:

- Asset Managers/Funds players
- Investment Banks
- Global and Regional Custodian banks
- Securities Market Infrastructures
Finding 1: Processing cash in Capital Markets is challenging and inefficient

Key Challenges:

<table>
<thead>
<tr>
<th>Incoming cash transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Late identification</strong> of payments results in reconciliation issues, late client allocations and increased operational risk</td>
</tr>
<tr>
<td>Since payment confirmations are not processed real-time, there is inefficient management of liquidity, both at the institutional and customer level</td>
</tr>
<tr>
<td><strong>Time sensitive, critical payments</strong> such as large coupons, redemptions, collateral, FX &amp; new issues generate a stream of continuous queries with counterparties</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outgoing cash transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Once the payment is released, there is no confirmation and so no visibility of its final credit</td>
</tr>
<tr>
<td>If the payment does not arrive, this leads to time consuming investigations and delayed settlement which may result in failed securities or FX trades</td>
</tr>
<tr>
<td>Capital Markets clients depend on incoming funds to finance back-to-back transactions. There is demand for more accurate payment information and servicing</td>
</tr>
</tbody>
</table>
Finding 2: Capital Markets institutions see value in using gpi

Reduce operational risk and cost through
- Real time tracking, which reduces exceptions and inquiries
- Performing investigations on payment legs of Capital Market transactions more simply and efficiently

Optimise liquidity management by
- Enabling a real-time view of payments across different nostros
- Reducing the need for credit lines, overdrafts or additional cash borrowing
- Improving visibility on risk exposure
- Enabling historical BI and regulatory reporting for intraday liquidity

Enhance customer experience by
- Improving data accuracy of the payment status
- Providing transparency on the payment costs
- Offering better settlement windows and improving cash management
- Re-investing surplus cash in assets or in the market
2. gpi for Financial Institutions Transfer service

The roadmap
Financial institution transfer service delivered in a phased approach

Preparatory stage
SR 2018

- UETR mandatory on all 202 / 205
- Mandatory to receive Service Type Identifier (STI) for all banks on SWIFT
- Optional to send Service Type identifier: STI “004” for gpi banks only

Nov 2018

Financial Institution Transfer v1
Track

- Optional service to all gpi banks
- Tracking only: access based on use of STI 004
- Data access: GUI, API and MT 299s, tracker-generated
- No RuleBook confirmation from banks to Tracker

Nov 2019

Financial Institution Transfer v2
Full Rulebook

- Optional service to all gpi banks (+ early adopters)
- With business rules and OBSERVER for registered banks

Nov 2020

Financial Institution Transfer v2.1
ISO Migration

- Mandatory for gpi banks when migrating to ISO (tbc)
- Business rules and specifications adapted for ISO migration
- Potential extension of functionalities & scope

Nov 2021

1 6 months after general availability of the service in November 2020
2 Based on adoption: mandatory for all gpi banks as from SR 2022
gFIT v2 will bring functionalities at the same level as Credit Transfer service.

### Payment type

<table>
<thead>
<tr>
<th>Tracking SWIFT payments</th>
<th>Tracking Non SWIFT payments through banks confirm</th>
<th>Tracker / banks confirm</th>
<th>Banks confirm</th>
<th>Banks confirm</th>
<th>Tracker confirm</th>
<th>Banks confirm</th>
<th>Inbound Tracking</th>
<th>Rule Book with OBSERVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT 103</td>
<td>√</td>
<td>√</td>
<td>✔</td>
<td>✗</td>
<td>✔</td>
<td>✗</td>
<td>🟢</td>
<td>Speed: Same DAY</td>
</tr>
<tr>
<td>MT 202 COV</td>
<td>√</td>
<td>√</td>
<td>✗</td>
<td></td>
<td>✗</td>
<td>✗</td>
<td>🟢</td>
<td>Transparency on deducts</td>
</tr>
</tbody>
</table>

Planned Q3/2020*
For BENEFI
Amount unaltered
Related information

### gpi for Financial Institutions Transfer service

<table>
<thead>
<tr>
<th>MT 202 (gFIT v1)</th>
<th>√</th>
<th>✔</th>
<th>✔</th>
<th>✔</th>
<th>✔</th>
<th>For BENEFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT 202 (gFIT v2)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>No rule but visibility in Tracker</td>
</tr>
</tbody>
</table>

* Through account servicer
Overview of gFIT v2 requirements

**Tracker confirmations**
- **Generate statuses for FIN flows**: In progress/ Delivered to Beneficiary’s Account Servicer
- **Generate/ relay**: gFIT agents confirmations to previous gFIT agents in the chain and to gFIT Beneficiary FI

**Banks confirmations**
- **Issues**: not confirmed same day, Reject/ additional information requested to Instructing FI
- **Finality**: debit¹/ credit to Nostro Account
- **Tracking**: all statuses incl. “in progress” for non FIN flows

**Speed**
- **Processing and issue**: immediately and no later than same day
- **Finality confirmation**: Immediately and no later than 4 hours after posting
- **Availability of funds**: same day in destination country (as per cut-off in gpi Directory information)

**Incoming payments tracking**
- **Beneficiary FI (F58A)**: MT 299 push, API’s and GUI
- **gFIT Intermediary agent**: (F56A) through API’s and GUI
- **gFIT Instructed agent (F57A)**: API’s and GUI

¹ On an optional basis in gFIT v2
3. gpi Financial Institutions Transfer service v2: the Early Adopter Program
Early Adopter Program for v2 of gpi Financial Institution Transfers solution

SWIFT is organising an Early Adopter Program to ensure the successful go to market and community adoption of a full gpi solution for Financial Institution Transfers.

The Early Adopter Program is open to:

• Existing gpi members
• Non gpi Financial Institutions involved in capital markets activity.

What you have to do

• Go live by end 2020
• Promote the solution e.g. by gathering end user testimonials on solution benefits from liquidity management, trade, securities and FX internal and external stakeholders, advocate the solution benefits with cash service providers, share implementation effort and best practices, contribute to market promotion via SWIFT’s and industry events, articles, etc.

What you get

• An opportunity to validate, test and implement the solution specifications.
• A complimentary onboarding service provided by SWIFT

To join, please contact Matthew.COOK@swift.com and Catherine.BANNEUX@swift.com.

Applications are open until the end of October 2019 and must mention a single point of contact person from your institution.
## gFIT v2 Early Adopter Program draft timeline

<table>
<thead>
<tr>
<th>Early Adopters phases</th>
<th>Platform availability</th>
<th>Milestones</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sep</td>
<td>Oct</td>
</tr>
<tr>
<td>Confirmation participants</td>
<td>Agree v2 solution rulebook &amp; specifications</td>
<td>Implementation</td>
<td>Testing</td>
<td>GO Live</td>
</tr>
<tr>
<td>Goal : validation of gFIT v2 specifications</td>
<td>Goal : prepare test, test and go live</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>- Learn from gFIT v1 implementation for the FI’s that have implemented this release (not a pre-requisite)</td>
<td>- Identification of test cases</td>
<td></td>
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<tr>
<td>- Fast validation of service specifications for gFIT v2, prioritisation of key use cases &amp; requirements</td>
<td>- Preparation of internal environments for Test &amp; Training</td>
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</tr>
<tr>
<td>- Help build gFIT value proposition for the industry: gathering end user testimonials</td>
<td>- Organisation of test groups and use cases</td>
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</tr>
<tr>
<td>Early Adopters will also help define the future roadmap for the service incl. for the ISO 20022 migration</td>
<td>- Help build gFIT value proposition for the industry: sharing implementation effort and best practices</td>
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<td></td>
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</tr>
<tr>
<td>Phase 1</td>
<td>Phase 2</td>
<td>SIBOS</td>
<td>Phase I kick-off</td>
<td>Phase 2 kick-off</td>
</tr>
</tbody>
</table>
gFIT v2 – Early Adopter Program Planning

2019

Shaping the Industry Service & Roadmap

Project planning & requirements:
- Rulebook definition / Roadmap
- Learning/Knowledge acquisition
- Define business requirements
- Impact analysis
- Solution design
- Plan next project milestones

Community Webinars
- Kick-off Physical workshop with review of draft Rule Book and key use cases
- gpi content Webinars (Individual meetings)
- Progress meetings

2020

Getting technically prepared for adoption

In-house developed application
- Functional / Technical Design
- Development
- Unit & System Testing

3rd party vendor application
- Receive / Install Patch
- Configuration & Testing

Community webinars
- Product workshops
- Q&A meetings
- Early adopter coordination meetings
Regional Individual meetings
- Progress meetings

Execution of pre-defined test scenarios

3rd party vendor application
- SWIFT acting as a sparring partner

Group Testing (on voluntary basis)
- EA participants testing between each other

2021

Bilateral testing before going Live

Implementation

Ready for Bilateral Testing

individual meetings
- Test catalogue review and customization
- Progress meetings
- Go-Live preparation
- ...

LIVE

Ready for GO Live

Post GO-Live follow-up

Registration

Kick-Off

Shaping the industry service together

SWIFT

Post GO-Live follow-up
Shaping the Industry Service & Roadmap

Purpose and deliverable

- The goal of the initiation phase is to provide you with all the necessary knowledge in order to define your business requirements and plan your project efficiently in correspondence with the pre-defined gFIT milestones

Planning and approach

Group meetings and webinars

<table>
<thead>
<tr>
<th>Shaping the Industry Service &amp; Roadmap</th>
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<tbody>
<tr>
<td>October</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>14/11</td>
</tr>
<tr>
<td>Rulebook gFIT v2</td>
</tr>
<tr>
<td>Kick-off workshop (physical meeting) + presentation on the Rulebook</td>
</tr>
</tbody>
</table>

Review cycle

Implementation