

SWIFT and the New Payments Platform



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About SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect more than 10,500 banks, securities institutions and corporate customers in 215 countries and territories. SWIFT has supported the payments evolution of payments systems around the world for more than 40 years and began serving the high value Real Time Gross Settlement (RTGS) segment in the 1990s, and shortly after, low value/bulk payment systems.

SWIFT now serves over 180 payment and securities systems globally, including critical payment and securities market infrastructures such as the Single Euro Payments Area (SEPA), Continuous Linked Settlement (CLS), TARGET2-Securities (T2S) and the SWIFT India Domestic Services. SWIFT members benefit from a secure, reliable and standardised connection to reach their Financial Institution, Corporate and Market Infrastructure counterparts.

SWIFT in Australia

Australia has always been a great supporter of the SWIFT cooperative. Originally, the Australian banks adopted SWIFT for their cross border payments and since then the banking community have relied increasingly on SWIFT as the secure backbone for the domestic economy. Australia was one of the first countries to adopt the SWIFT model for RTGS systems, which has served the Australian industry for close to 20 years, and the Direct Entry bulk clearing and settlement system also has a SWIFT option that is used by some of the tier 1 clearing banks. Domestic Securities are also settled securely via SWIFT through the connection with the Austraclear depository and the ASX have indicated their interest to move towards ISO20022 and SWIFT connectivity for their

CHESS replacement project. It's clear that SWIFT is a trusted partner to the Australian financial services industry.

Every day, institutions in Australia safely and securely send and receive approximately 700,000 individual and many more bulk transactions through the SWIFT network. In total, almost 200 million messages were sent and received in 2013 in Australia, ranking 11th on the global SWIFT Countries list. Reflecting Australia's significance to the global SWIFT community, Australia has a seat on the SWIFT board of directors.

SWIFT and the New Payments Platform

SWIFT is delighted to have been selected as the vendor for Australia's New Payments Platform (NPP). With NPP, we will take a new journey with the Australian community. As the industry-owned, not for profit cooperative, we approach opportunities such as NPP differently. We do not seek to maximise profit but to the contrary, we remove cost from our owners by allowing them to reinvest in the products, services and capabilities that they have already spent many years supporting. This approach has allowed us to work with the industry to define a model that, we believe, reaches the correct balance between meeting the aims of the system, whilst keeping complexity and therefore cost, to a minimum.

Through collaboration with the Australian payments industry and by showing flexibility during the tender process, SWIFT were able to put together a unique and innovative model that fits with the requirements defined by the NPP working groups. SWIFT believe this Australian innovation will provide a case study for the rest of the world, and will drive innovation in the Australian payments industry for many years into the future. Richer data supplied through the ISO20022 standard, 24/7 banking,

faster payment outcomes and the overlay services framework will provide new value to Australian consumers and businesses.

NPP Solution Overview

The "Basic Infrastructure" elements of the NPP include the Network, Switch and Addressing Database. SWIFT will build, deliver and support the Network and Switch components and we have sub-contracted Fiserv for the build, delivery and support of the Addressing Database component.

Direct Participants, Overlay Services and the RBA Fast Settlement Service will all connect directly to the Basic Infrastructure. Existing SWIFT users will be able to re-use their SWIFT connectivity packs if they choose to do so. NPP also caters for Indirect Participants who will rely on agency services provided by a Direct Participant. A new entity "NPP Australia Limited" has been established by Australian Payments Clearing Association (APCA) to govern the system and it is this entity that SWIFT has contracted with for the delivery and ongoing support of the NPP solution.

SWIFT will provide the "backbone" for the secure and reliable movement of messages between ADI Participants and will initiate the Settlement instructions with the RBA. The Addressing Database will provide the Participants with the ability to direct payments to recipients using a simple easy to remember identifier, such as a mobile phone number. A user of the system will no longer need to know the BSB and Account Number of the Payee.



The following diagram and descriptions provide a high level view of the technical solution:

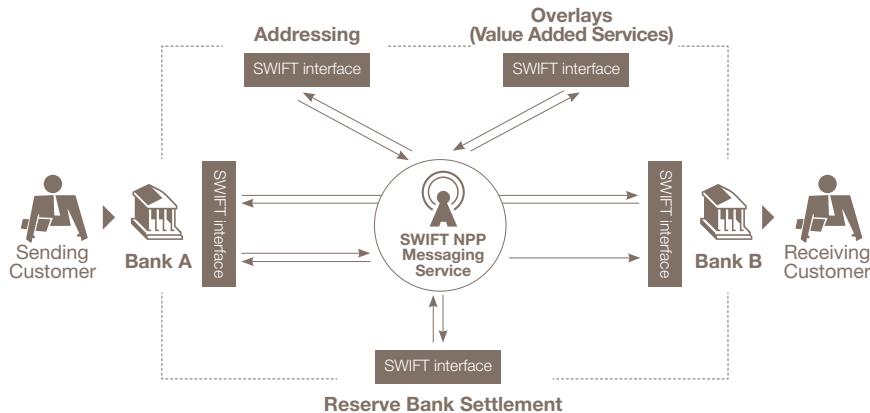


Figure 1: A high level overview of SWIFT's solution for the New Payments Platform

The diagram shows the high level topology of the distributed ‘Lite’ hub that SWIFT will build for NPP Australia. Broadly, it consists of a Domestic Messaging Channel supported by SWIFT’s established network partners in Australia, an Addressing database to provide proxy identifiers for ADI customers, and a common software interface that will manage the communication flows between participants, the Addressing database and Overlay service providers.

The distributed nature of the Switch is a real innovation and something that distinguishes the Australian solution from those adopted in other markets. It removes the need for a heavy central infrastructure and allows the ADIs to continue to focus on innovation and differentiation through their customer-facing channels whilst utilising a simple, reliable, fast and secure system to switch payments between counterpart ADIs.

Key Features:

- **Domestic messaging channel (DM Channel)** which uses local network access points to switch payments between the participating banks and the RBA. The DM Channel is a point to point messaging solution allowing participants to exchange a high volume of messages in-country, with low latency on a 24x7 basis. The distributed nature of the Switch means that there is no single point of failure in the system.

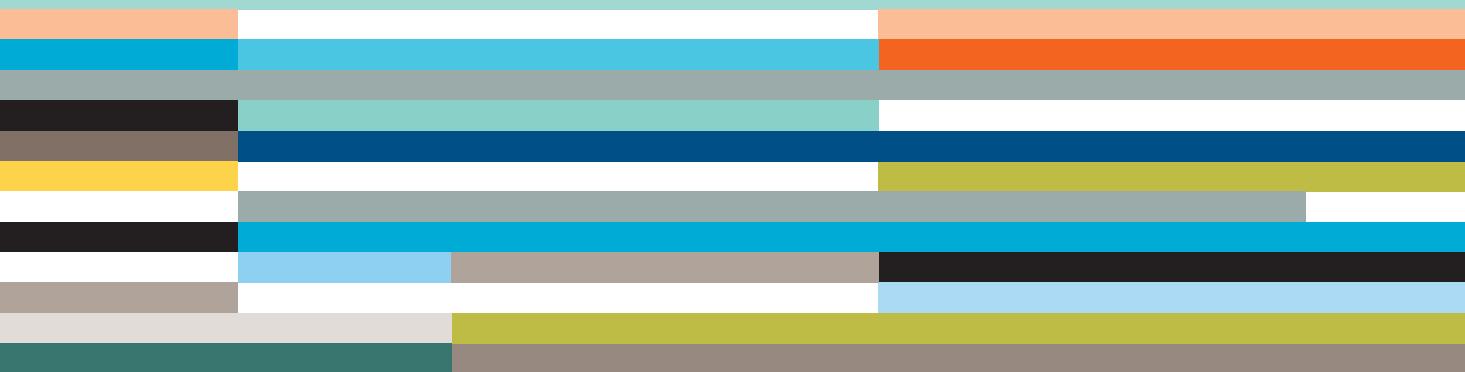
- **Payment Gateway**, a SWIFT interface deployed to each NPP participant, that will orchestrate clearing and settlement flows between the participating banks and the RBA, and potentially additional flows such as payment initiations that are entered into the system by directly connected value added services (known as overlay services).
- **Addressing Database** to facilitate simpler and more efficient addressing of payments, by linking short names (aliases), email addresses, mobile phone numbers and other identifiers with the account numbers of ADI customers.
- **Messaging Standards ISO 20022** will be utilised to provide XML-based messaging standards across the solution. ISO 20022 is an international messaging development standard that is designed to simplify global financial communication. ISO 20022 messages allow flexibility and extensibility and can carry additional remittance information with the payment. SWIFT built many of the ISO20022 standards and is the Registration Authority for the standard.

- **Overlay Services** will use the NPP payment infrastructure. These may include services such as mobile-to-mobile payments, bill payments and property settlement services. The Overlay Services framework will ensure that the NPP can evolve and change to facilitate future payments innovations as well as new entrants.
- **Round the Clock Support** will be provided by SWIFT on a 24/7 basis to the institutions participating in the scheme.

Looking forward

The fast payments trend is beginning to have a profound impact on the payments ecosystem. The Australian industry’s decision to develop the innovative NPP system is a very significant step in shaping the future of the payments industry, not just in Australia but also for the global financial community.

SWIFT believe that this innovation is going to provide a case study for the rest of the world, and this trend represents the future of payments. The Australian industry can expect to benefit from cost savings by reusing infrastructure, the trust, reputation and experience of SWIFT as a provider of critical financial market infrastructure services, and reliable, proven and secure messaging services.



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