

Does SWIFT have an opportunity to help improve straight through payment processing at Banks end?

SWIFT was started basically to help improve STP, security and standardization. It has now been 42 years since SWIFT has come into existence. In the meantime there has been a considerable shift in technology, revolution in communication, net and mobile technology. Billions have been invested by Banks/Regulators and IT companies to improve on technology. Customers now have the capability to directly stay in touch with counterparties and get information real-time using technology which is user-friendly.

As time has passed some of the instruments and products are becoming irrelevant or need an upgrade for e.g. Travellers Check is now more relevant, we have Cards and mobile payments already making inroads to normal commercial activity in the Financial World.

It is time for SWIFT to step up and re-shape products and services. One such example on how SWIFT can change or upgrade to help improve the STP is revamping the MT103 which consists of mandatory and non-mandatory fields, however, some of the options are not aligned to present requirements, for e.g. free-texted field 50 - with FATF coming in and most countries, if not all, applying the law to ensure remitter and beneficiary details are rightly captured. IBAN has now been implemented in whole of EU and few other countries, customer details are now to be specific and any gap results in clients not getting the credit or results in enquiry, there is also the mandatory requirement of sanction filtering which makes it imperative for information to be rightly available on payments. Due to such rigid requirements, it is time for SWIFT to make changes for specific /field- validated information to be made available as against free-texted information to help automated flows and avoid data alteration.

Another example is enforcing use of SWIFT BICs (Bank Identification Code) if fields 52 and 58 of payment instructions. As opposed to a decade or two earlier, most banks are now connected to SWIFT therefore customers and banks should have this information easily available to be included into the payment instruction.

-With the introduction of country-specific (local) payment clearing systems like SEPA and G3, the flow of payments through SWIFT have reduced in some of cases. SWIFT needs to re-look at 'bank information'specific fields and formatting that needs be applied to help improve STP and routing.

Earlier SWIFT message was the only medium for client to get information and also there were restriction in flow of money, therefore was mandatory to mention purpose of payment. With net and mobile technology now available, client to client information can move faster than a bank can provide and can be kept out of the SWIFT message. Keep a separate code only for Purpose with no restriction to help instruction not being valeted for any STP but only for inconsistent characters. Also with advising function being provided to Bank, there is good opportunity for SWIFT to restrict this further.

-Bank-bank specific information field in the payment message is the most abused, with almost any nature of information being provided in this field. This needs urgent redefinition.

The above gives a glimpse of changes which can be bought in SWIFT in with the inception of Net, Mobile and Email.

Though there are significant changes required to be done at the banks' end, SWIFT should further participate and lead this effort in order to achieve its inception goal.