New Developments in the Low-Value Payment Market.

The Role of SWIFT

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Low-Value Payment systems
Business Models

1. “Hub and spoke” around ACHs
   e.g. NL, UK

2. “Hub and spoke” around ACHs with indirect membership
   e.g. BE, EBA, ZA

3. ACH acting as accounting centre
   e.g. ES, FR

4. Bilateral file exchanges
   e.g. AT, DE, IE

ACH
Direct ACH participant
Indirect ACH participant
Payment data
Accounting data
Banks have a multitude of relationships for their bulk/low value payments

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

Rationalizing the technology and standardizing the content are essential!
Market developments

- In Developing Markets:
  - Structural changes of financial market
  - International practice
  - Central bank lead, buy off shelf ACH’s in developing markets

- In Europe:
  - ACH operator becoming more commercial
  - SEPA leading to consolidation
  - TARGET 2
  - Faster Payments (OFT)
  - Gradual move to XML, encouraged by Regulators

- In US:
  - Increased interest in XML
Complementing our position in wholesale segment by extending to low value payment market

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

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

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

2005
We are entering the retail domestic payments market: lower value add messaging but large volumes
SWIFT Value Proposition for Bulk Payments

- Make implementation easier and more cost-effective for the SWIFT community
- Maximize industrialization processes
- Leverage Banks’ existing investment like their connectivity to the SWIFTNet platform
SWIFT offering for Bulk Payments

1. **Standards**
   - UNIFI (ISO 20022) for Credit Transfer and Direct Debits

2. **Messaging**
   - SWIFTNet FileAct
   - FA Header Enhancement

3. **Efficiency support**
   - FileAct Header Copy
   - FileAct Header Netting

4. **Interoperability enablers**
   - Directories: Routing, IBAN/BIC

5. **Pricing**
   - Bulk Payments Community based Pricing

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

<table>
<thead>
<tr>
<th></th>
<th>Existing Financial Network</th>
<th>SWIFTNet Financial Messaging Service</th>
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</thead>
<tbody>
<tr>
<td>Participant reach</td>
<td>National</td>
<td>Global</td>
</tr>
<tr>
<td>Standards</td>
<td>Proprietary</td>
<td>International, domestic and proprietary</td>
</tr>
<tr>
<td>Participant infrastructure</td>
<td>Dedicated</td>
<td>Re-usability and single windows</td>
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<tr>
<td>Operation management</td>
<td>Country-based in-house management</td>
<td>Ready to use world-wide solution Management handled by SWIFT</td>
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Thank you

Questions & answers