Strategic Treasurer

SWIFT's New Transaction Platform

SWIFT, already well known for the innovations it has made in transaction messaging, and already with high adoption levels, is not sitting on its laurels. In November of this year, the network will go live with a new transaction platform offering improved functionality.

Far from simply an updated version of the current messaging system, the new platform represents a complete transformation in the method of payment messaging, switching from linear processes to platform based. The change is set to have significant implications for treasury and finance, from increased visibility to sanctions screening options and improved exception management. Read on for an overview of the changes and timeline.

THE OLD MESSAGING PROCESS— LINEAR

In order to understand the nature of the changes and the issues that prompted them, we must first understand how the current transaction messaging (now referred to as "legacy" by SWIFT) works. In this model, messages progressed linearly from party to party. Each party's own touchpoints were typically the only time they were able to see or interact with the message until completion.

This low level of visibility, itself an inconvenience at best, also spurred other issues:

The Telephone Game: Most of us have played the game in which multiple people sit down in a line, and the first person whispers a phrase to the second, the second repeats what he or she heard to the third in another whisper, and so on. The fun of the game is in seeing how dramatic the difference is between the phrase the first player whispers and the phrase that reaches the end of the line.

The same principle proves just as relevant but far less enjoyable in payment messaging. With a linear messaging system, data can be truncated at one of the many handoffs between parties. This could then result in a process defect, which needs corrective action.
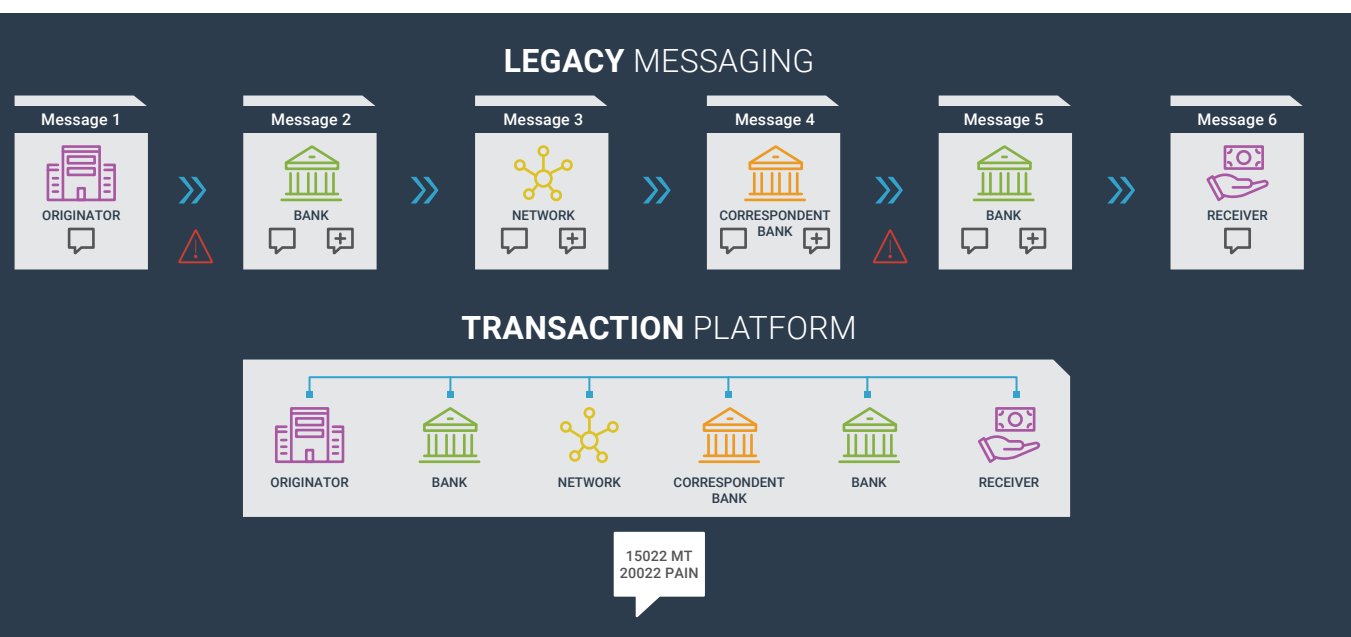
Exception Management: The problems resulting from the telephone game, as well as any issues with the initial message such as missing compliance information, are difficult to resolve. If a compliance issue arises part of the way through the process, the message can become "stuck" in the process. Staff must intervene to manually solve the issue, or the process fails, causing a restart. Both consume critical staff time of multiple parties and significantly delay the payment.

THE NEW TRANSACTION PLATFORM

In order to address these issues and leverage newer technologies, SWIFT's new transaction platform takes an entirely different approach to payment messaging. Pulling the message out of the party-to-party handoffs, the new platform hosts the message as if on an advanced bulletin board, and all relevant parties have access to it throughout the process. From origination to receipt, everyone involved can access and retrieve data via different formats, but the message itself remains unaltered on the platform.

The advantages of this change are numerous. Increased visibility is helpful in itself, allowing parties to plan more effectively. In addition, it increases efficiency and accuracy. Fewer data destructive handoffs mean fewer opportunities for error. Information is not truncated, and the same information is handled without loss by each party. If defects are found in the message, they can be caught and fixed rapidly and with far less hassle. SWIFT describes the new platform as "frictionless," with APIs able to fetch missing information in a matter of seconds. In many cases this means repairs can be made in flight.

LEGACY MESSAGING

Message 1	Message 2	Message 3	Message 4	Message 5	Message 6
ORIGINATOR	BANK	NETWORK	CORRESPONDENT BANK	BANK	RECEIVER

TRANSACTION PLATFORM

ORIGINATOR BANK NETWORK CORRESPONDENT BANK BANK RECEIVER

15022 MT
20022 PAIN

The new platform will be accompanied by several optional services, including the following:

› *Sanction Screening:* One of the notable added services is FCC (Financial Crime Compliance) embedded sanction screening. Complying with sanctions lists has been a continual area of frustration for many companies. Corporations previously relied on their banks to screen their payments, and many still do, but recent years have seen regulatory bodies holding the companies themselves more directly responsible for sanctions violations. The added FCC embedded screening in SWIFT's new platform can provide an additional layer of protection, catching transactions with sanctioned parties early in the process, before they become reportable events with companies possibly becoming liable for a violation.

› *Pre-Validation:* Pre-validation services and verification of multiple aspects of the payment will also add value to the new platform. SWIFT will verify the beneficiary account, validate the payment per local requirements, perform quality checks, and provide fee prediction.

› *SWIFT Low Value Payment (SLVP) API:* The SLVP API aims to broaden SWIFT's base of users by extending many of the notable advantages of modern SWIFT messaging to SMEs and consumers.

› *Case Resolution:* Already live with gpi but set to be extended with the new platform, this service allows for rapid, "in-flight" resolution for message problems and queries.

The transition to ISO 20022 is scheduled to correspond with the rollout of the new platform in November of 2022, but the platform will continue to support MT formats until the cutoff in 2025. This will allow a margin in which financial institutions and all others involved can make a smooth transition at their own pace.

As a whole, all of these services and advantages offer users a far better view of what is happening, whether anything is amiss, and what is anticipated for the message. The visibility, efficiency, and accuracy of the new platform go far beyond simply patching up issues in what is now the legacy, linear messaging system.

TENTATIVE TIMING AND MILESTONES
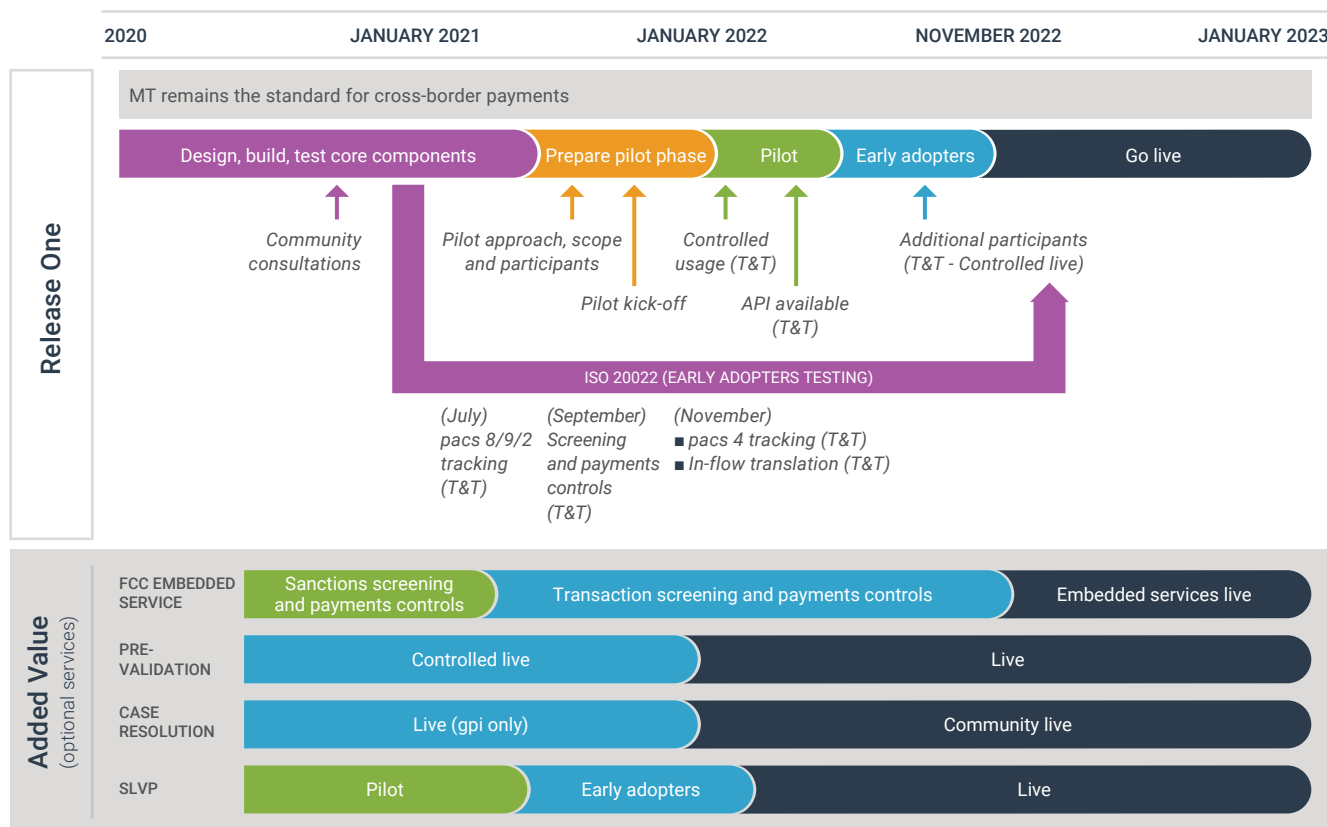
TIMELINE FOR ROLLOUT

The go-live for the new platform is November of 2022, but piloting has been in progress for some time now, with some services already live and able to be toggled on or off. Customers of SWIFT gpi, especially, will recognize that they already have access to some of the services mentioned above. The new platform will build on and extend these services.

Treasury and finance still have several months to ensure they understand the impacts of the new platform for their companies, although some services may be available to you now if you choose to turn them on. Aside from the practical implications, however, many companies should also consider their own digital transformations and whether taking a more process, single source of truth view of payments and data within their own organizations would result in similar improvements internally.

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ABOUT STRATEGIC TREASURER

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Strategic Treasurer was founded in 2004 by Craig Jeffery, a financial expert and trusted advisor to executive treasury teams since the early 1990s. Partners and associates of Strategic Treasurer span North America and Europe.

This team of experienced treasury specialists are widely recognized and respected leaders in treasury. Known for their expertise in treasury technology, risk management, and working capital as well as other cash management and banking operations, they efficiently identify issues, creatively explore ideas and options, and provide effective solutions and implementations for their valued clients.

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