IBM Service Bureau for SWIFT

Global connectivity for financial messages for banks and corporations
01 Payments modernization

The global trends impacting the payments industry and driving modernization.

02 SWIFT for financial messages

The SWIFT platform delivers the infrastructure and innovations to keep up with a changing payments landscape.

03 IBM Payments Center

Our cognitive payments platform connects all the ecosystem players to deliver value in payment services.

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Explore how the IBM Service Bureau for SWIFT can help with your payments modernization strategies.
Financial institutions (FIs) and corporations are under pressure to upgrade or replace their existing payments infrastructure in support of their payments modernization roadmap. So, what are the global trends impacting the payments industry and driving modernization?

Global trends impacting FIs and corporations:

**Aging infrastructure**
Operational risks, scarcity of resources for support, limited organizational agility and rising costs are forcing change.

**Security threats**
Digital payments have increased the potential for exposures. Costs to banks and corporations to counter fraud continue to increase, as does the number of incidents of digital crime and fraud.

**Revenue compression**
For financial institutions, new entrants, alternative payment options with transparent pricing and utility service providers are driving margins down. For corporations, treasury operations and systems that aren’t streamlined or efficient mean higher total costs for payments and treasury management that reduce overall corporate profitability.

**Central authority and regulatory changes**
Payment regulations and authorities are changing the rules related to oversight and payment infrastructures, including to enable real-time payments and the International Organization for Standardization (ISO) messaging standards. For corporations, taking advantage of new payments and treasury management services, introduced by FIs because of new regulatory mandates, can be cost prohibitive unless newer infrastructure is used.
01 Payments modernization

Global trends impacting FIs:

**Fintech and emerging tech**
Payments is a messaging business. Client needs, the complexity of existing processes and low regulatory barriers make it ripe for disruption.

**Changing client expectations**
Clients demand more from payment providers: better interfaces, delivery certainty, improved pricing and ease of use.

With payments modernization initiatives underway, FIs, payments operators and fintechs are under pressure to modernize their payments processing capabilities. Beyond the regulatory mandate, industry players are being asked to re-envision their business models, innovate to drive new revenue and compete against a host of nontraditional service providers, all while operating under tight margins.

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How IBM can help with payments modernization

Explore these questions for identifying payment modernization opportunities so FIs and corporations can distinguish themselves in a competitive market:

- What are your current digital payments and data strategies—and do they factor in cloud-based systems?
- What is your payments modernization roadmap?
- If you could start over now and choose a new payments system, where would you start?
- Are your systems and people ready to transform your payment services to meet new demands?
- Are there or will there be ongoing costs for your payments operations that you would like to reduce?

IBM can help simplify and streamline the payments transaction experience while complying with the myriad of regulations and meeting payments industry standards.

IBM’s hybrid cloud digital payment solutions with AI-powered analytics can help you rapidly innovate, respond to threats from new business models and stay competitive as consumer demands evolve.

Learn more in the next chapters about easing the burden of payments modernization, such as:

- The Society for Worldwide Interbank Financial Telecommunication (SWIFT) platform for global financial messaging services
- The benefits of the IBM® Payments Center (IPC) and how it drives value in payment services
- How IBM helps FIs or corporations connect to SWIFT with cognitive technologies to modernize payment and other financial messaging capabilities
SWIFT for global connectivity and financial messages

The global provider of secure financial messaging services

SWIFT was established to support the need for banks to communicate financial messages with each other through standardized message and communication standards. The SWIFT network was built on the need to improve efficiency in the global banking industry and has grown to approximately 11,000 members with over 20,000 entities processing over 30 million messages per day.

SWIFT uses globally recognized messaging standards, such as ISO 15022 and ISO 20022, as the common language and model for payments data.

The three primary messaging systems for use over its network:

1. FIN
   The oldest method uses an ISO 15022 standard. This messaging service enables the secure and reliable exchange of message type (MT) messages in store and forward mode.

2. InterAct
   For many-to-many, both real-time and store and forward messaging services. This method uses the ISO 20022 messaging standard and will eventually completely replace FIN messaging.

3. FileAct
   An automated messaging service that SWIFT has designed to enable customers to exchange files. FileAct supports both real-time, store and forward modes. It’s particularly suited for the exchange of large volumes of data. Used primarily by corporations, unlike FIN and InterAct, SWIFT doesn’t validate the content but provides an acknowledgment. Files sent using this method can include any kind of message format and content that’s agreed upon between the sender and receiver.

Keeping up to speed with a changing payments landscape

The SWIFT platform delivers the infrastructure and innovations that help FIs adapt, thrive and grow. SWIFT is continuously upgrading its messaging and transaction management platform to enable new services, improve efficiency and reduce costs. The platform will continue to evolve with its innovations in global payments innovation (gpi), cloud, application programming interfaces (APIs), fraud detection, data analytics and transaction tracking.
02 SWIFT for global connectivity and financial messages

Some of the new platform capabilities to enhance payments and security processing include:

- Extension of the SWIFT high-speed gpi rails to lower-value payments and new rich data services based on the ISO 20022 standard, to enhance and facilitate instant and frictionless end-to-end transactions anywhere in the world.
- Improved cross-border experience through gpi. Most cross-border payments today reach end beneficiaries within minutes with full transparency and confirmation when the payment reaches its destination.
- Enhanced integration to SWIFT capabilities using a catalog of available APIs.
- More robust data and analytics to accelerate banks’ and corporations digital transformation and deliver a seamless customer experience.

Driving payments modernization forward
As part of the IPC, the IBM Service Bureau for SWIFT allows banks and corporations to take advantage of the SWIFT platform and services, without having to build their own infrastructure to connect to SWIFT. Many FIs are turning to the IPC and its cloud-based services to alleviate the need to build and deploy their own payment and messaging systems and operations.

FIs and corporations already using SWIFT
For those FIs and corporations already using SWIFT, they often find costs increasing to keep up with changes or SWIFT compliance mandates, particularly for those organizations with older systems. The IBM Service Bureau for SWIFT offering aligns with the latest mandates, services, features and functions available from SWIFT—so that FIs and corporations can avoid costly upgrade and maintenance costs by outsourcing to the IPC. In addition, IBM Global Business Services® also offers integration services.

Explore the next chapter to learn more about the IPC cognitive payments platform, built on the IBM Cloud® platform, for modernization and collaboration.
Open payment ecosystem on the cloud
Existing payments systems don’t provide the strategic value banks need today, which is a modern payments platform that connects all ecosystem players, such as traditional banks, payments operators, and clearing and settlement mechanisms (CSMs), including blockchain and fintechs.

A cognitive platform that empowers them to pull services from another bank or a trusted third-party into their own payment’s platform—that’s what the IPC delivers.
IBM Payments Center

Driving efficiency and value in payment services
The IPC offers intelligent workflows, end-to-end business processes embedded with AI, payments and treasury management on the cloud, real-time data, easy-to-use interfaces, and improved pricing by reducing cost per transaction.

Reduces payment complexity
The IPC helps reduce payments complexity, letting you focus on offering a better customer experience and innovative payments overlay services.

The IPC Payments-as-a-Service platform offers clients:

- Enterprise-grade public cloud with a hybrid cloud platform and rich service catalog
- Robust financial services policy framework, enabling security controls and regulatory compliance
- Core technologies, including highest-grade data confidentiality with demonstrable assurance
The IPC Payments-as-a-Service platform is delivered on IBM Cloud for Financial Services™, a financial-services-ready public cloud that’s purpose built and designed to address financial institutions’ requirements for regulatory compliance, security and resiliency.
The IPC platform delivers the latest cognitive technology to drive efficiency and value in payments services. The platform includes:

**Highly resilient processing of payments in the cloud**
With a multidata center deployment model, the IPC has an integrated monitoring and management architecture that delivers superior service levels for FIs and their clients. The platform is also in compliance with local and global regulatory mandates for operational resilience.

**Secured processing of payments**
The IPC has adopted industry standard cyber resiliency risk management practices and standards, such as the ISO, the National Institute of Standards and Technology (NIST), and the International Organization of Securities Commissions (IOSCO). These standards are embedded within the design, build and operate phases of the solution.

**ISO 20022 based industry standard APIs**
The platform is fully compliant with the requirements of national payment schemes providing integration and interoperability with FIs’ channel applications and back-office systems, including the broader ecosystem of fintechs and national payments market infrastructures.

**Risk and regulatory compliance management through fraud monitoring**
Sanctions screening, anti-money laundering (AML) and counter-terrorism financing (CTF) compliance, including compliance with national and global regulations, using IBM Safer Payments, are all available capabilities within the IPC platform.

**Cloud qualities of service**
This service delivers open, standards-based technologies, cloud managed services, on-demand provisioning and deprovisioning, elasticity, integrated exchange to exchange (E2E), and DevOps toolchain—for increased workload mobility, cost efficiencies and agility.

**Managed service offering for payment solutions**
The platform includes managed technology and business operations, and full API lifecycle management and governance.
A cognitive enterprise business platform for payments built on IBM Cloud
The IPC processes all payments, such as automated clearing house (ACH), automated funds transfer (AFT), checks, wires and real-time payments. It offers end-to-end payments services, including advisory, integration and managed technology and business operations.

Figure 3. IPC services
IPC benefits

Modernize payments capabilities
Offer payments advisory and system integration services that comply with regulatory requirements to minimize risk.

Grow revenues
Drive growth with cognitive payments value-add services such as AI, anti-fraud, analytics and reporting—rather than incurring costly infrastructure investments.

Gain agility
Deliver standard batch and real-time API integration with ecosystem players and IBM for increase collaboration and provides opportunities to offer new payments products and overlay services to customers.

Reduce payments total cost of operations
Share commoditized payments services with other members to help reduce total cost of operations.
IBM Payments Center

With the IPC platform, participants can potentially realize improved revenue opportunities while reducing total cost of operations for payments by:

- Improving the speed to market for new payment products and services
- Realigning human resources to take advantage of improved systems
- Lowering modernization investment costs
- Automating processes and services
- Reducing payments complexity, enabling participants to focus on customer experience
- Sharing the cost of commoditized payments services with other participants

Figure 4. IPC cost savings drivers

Figure 5. Payments operations savings
IBM offers a SWIFT service bureau that’s designed to provide easy and secure connectivity to the SWIFT network for corporations and FIs that need to communicate with their trading partners and correspondent FIs—without the heavy lifting of building their own connectivity. It enables FIs, corporations and market infrastructure clients to exchange financial messages, such as payments, securities, foreign exchange (FX) and treasury with their counterparts on the security-rich and reliable network used by the worldwide banking industry.

**Turn-key application for financial messages**
The IBM Service Bureau for SWIFT provides a turn-key application for the processing of financial messages through the global SWIFT large-value payments processing network. The solution enables clients to:

- Send and receive messages through FIN or InterAct.
- Send and receive bulk files with FileAct.
- Access applications hosted by SWIFT with Browse.
- Connect to SWIFT APIs with Microgateway.

To view the architectural advantages of IBM Service Bureau for SWIFT, click here.
**IBM Service Bureau for SWIFT benefits**

Many banks and corporations that set up and maintain connectivity with SWIFT find that the costs and resources needed to ensure their infrastructure meets the high compliance standards of SWIFT can be quite high.

Furthermore, as SWIFT deploys more features and functions, or changes its standards, the changes required to adopt those new services and standards can be challenging.

The IBM Service Bureau for SWIFT can help mitigate costs and needed resources by providing a single solution that meets the SWIFT compliance standards and makes SWIFT services easier to integrate.

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**Standardization**
- Common language and model for payments data across the globe
- Structured, defined and standardized messaging data:
  - ISO 15022 = message type (MT)
  - ISO 20022 = XML message (MX)

**Efficiency and cost**
- Automation and increased straight-through processing (STP) rate
- Multilateral exchange built on bilateral agreements
- Domestic and cross-border exchange
- SWIFT gpi and data analytics

**Security**
- Security controls through the Customer Security Controls Framework (CSCF):
  - Customer Security Program (CSP)
  - Shared Infrastructure Program (SIP)
- Secured environment
- Access control
- Detect and respond design to protect against threats

**Members**
- Financial institutions:
  - Payments
  - Securities
  - FX and trade finance
- Market infrastructures
- Corporations
Conclusion

The IBM Service Bureau for SWIFT can help with your payment modernization strategies to:

– Simplify and streamline the payment transaction experience while complying with the myriad of regulations and enforcement of payments industry standards.
– Balance greater demand for secured digital solutions while complying with rapidly evolving regulation and improving fraud detection.
– Seek payments and cash management solutions that help modernize payment operations, such as real-time cross-border payments processing.
– Deploy cloud-based payments for the needed flexibility to develop and offer new consumer services while also meeting strict regulatory requirements for financial data transmission.
– Transform payments and treasury management with AI for the flexibility to rapidly innovate, respond to threats from new business models and stay competitive as consumer demands evolve.

IBM can help FIs or corporations modernize their payment capabilities, grow revenues, gain agility and reduce their payments services infrastructure costs. Take the next steps to learn more about the opportunities for payments modernization.

Next steps

– Explore the IPC.
– Contact us to start your consultation.
– Or contact your local in country IBM representative.