



SWIFT for Securities Market Infrastructures

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Agenda

- Traffic Statistics AECSD countries
- Worldwide Securities Trend
- SWIFT Solutions for CSDs



Proportion of securities SWIFT traffic sent

Traffic Sent	2012			2013 Year to Date		
Country	Total	Securities	<i>Securities %</i>	Total	Securities	<i>Securities %</i>
Russia	51,667,443	3,999,520	7.74%	40,171,868	3,523,206	8.77%
Ukraine	4,495,211	108,243	2.41%	2,751,829	58,471	2.12%
Kazakhstan	1,979,701	95,362	4.82%	1,205,532	68,261	5.66%
Georgia	514,491	10,324	2.01%	323,627	9,076	2.80%
Azerbaijan	1,463,314	1,229	0.08%	833,014	1,184	0.14%
Armenia	338,480	485	0.14%	226,818	340	0.15%
Belarus	2,310,183	231	0.01%	1,394,913	175	0.01%
Moldova	389,190	146	0.04%	508,652	70	0.01%
Kyrgyzstan	233,436	59	0.03%	140,835	42	0.03%
Uzbekistan	306,422	0	0.00%	180,490	0	0.00%

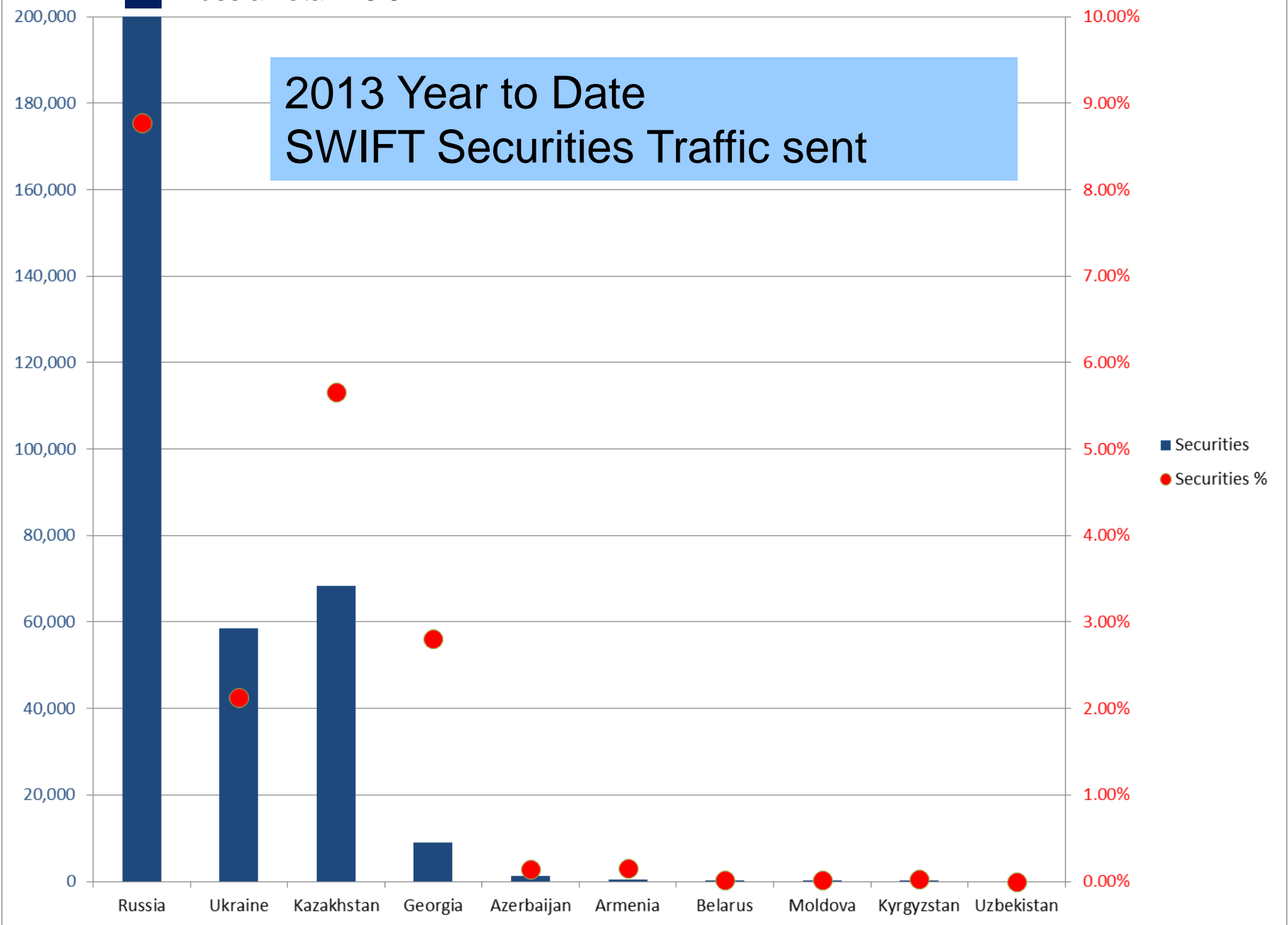
Russia Total = 4M

2012
SWIFT Securities Traffic sent



Russia Total = 3.5M

2013 Year to Date
SWIFT Securities Traffic sent



Major trends

CPSS IOSCO
principles for
systemically
important
securities market
infrastructures

NEW PENDING REGULATIONS
(MiFID II, EMIR, Dodd-Frank,...)

Financial crisis

COST CUTTING

Concentration of actors

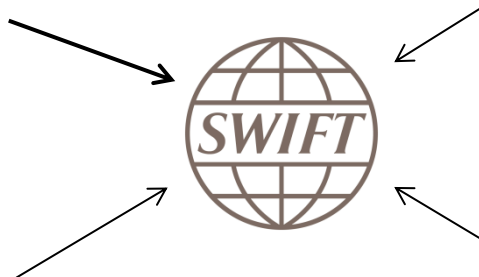
FOCUS ON RISK

Change in securities processing paradigms

Clearing of OTC trades by CCP

Increase in Trading Volumes

Globalization



BLURRING OF ROLE FRONTIERS

INTERNALIZATION

Industry initiatives: Giovanini, T2S, ..

ASIA versus EUROPE & US

Emerging versus mature markets



Headlines of the industry

“ Even if market growth is low, there will be winners such as the "flow monsters" that have the scale and the systems to handle vast flows of client trades in shares, bonds, forex, rates, commodities and more. This points towards **increased concentration**.” *(The Economist Oct 2010)*

“Investors will want **transparency into the way firms manage risk, and regulators will require more disclosure to better identify the types and severity of risks that the firm introduces into the system.”**

(Tower Group: 2010 Top 10 Business Drivers, Strategic Responses, &IT Initiatives in Securities and Capital Markets)

“IT budget have been down from 5% in 2009 globally, the allocated share to third-party service providers (including SWIFT) is much lower; they are often the first piece of the budget to cut.”

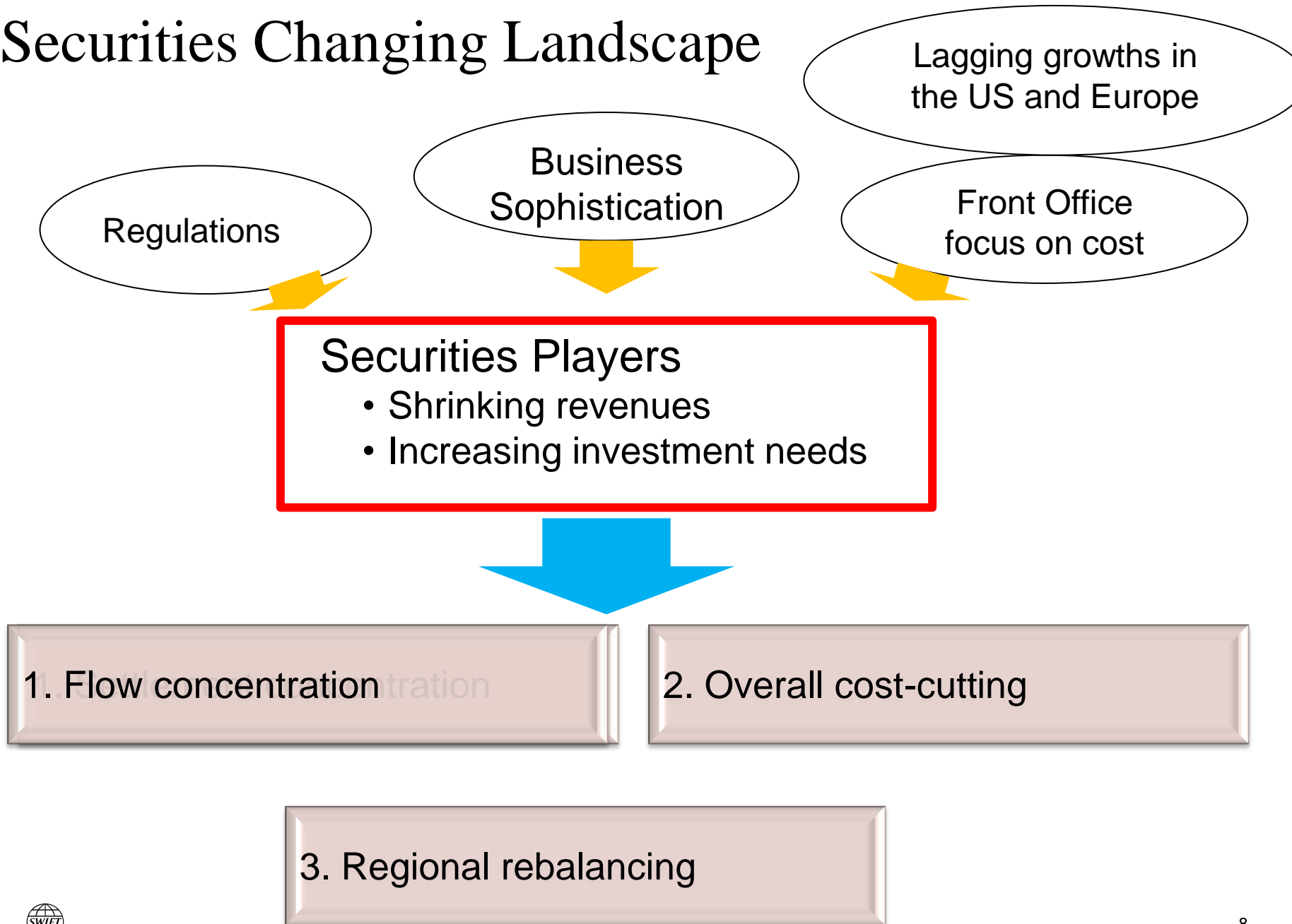
(Aite "IT Service Vendors in Securities and investments", Sept 2009)

“Securities trading **volumes over 2010-15 will grow faster in Asia than in the US or Europe.”**

(TowerGroup, “Securities Trading “ September 2010)



Securities Changing Landscape



3 main consequences of the Market Trends

1. Flow concentration

Emergence of large Securities players

- Increased concentration of Securities flows within a few institutions
- Economy of scale favouring internalization

2. Overall cost-cutting

Operations and IT “freeze”

- Priority given to compliance, risk reduction or immediate return projects

Rationalization of Operations infrastructure

- Consolidation of operations and traffic into regional hubs
- Drive towards efficiently-driven settlement (e.g. netting, internalization)

3 main consequences of the Market Trends

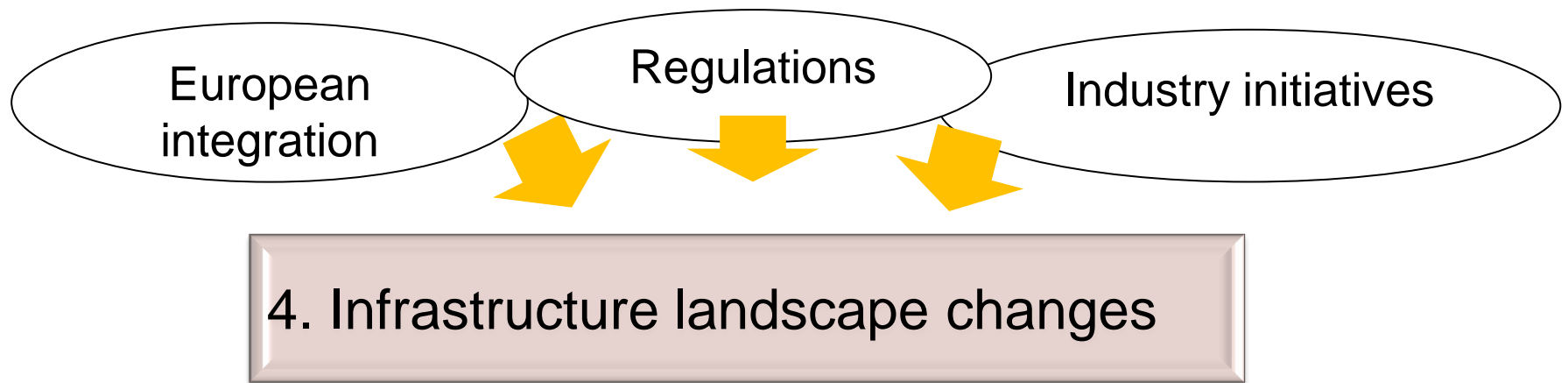
Lagging growths in
the US and Europe

Emerging markets
not directly hit by
the crisis

3. Regional rebalancing

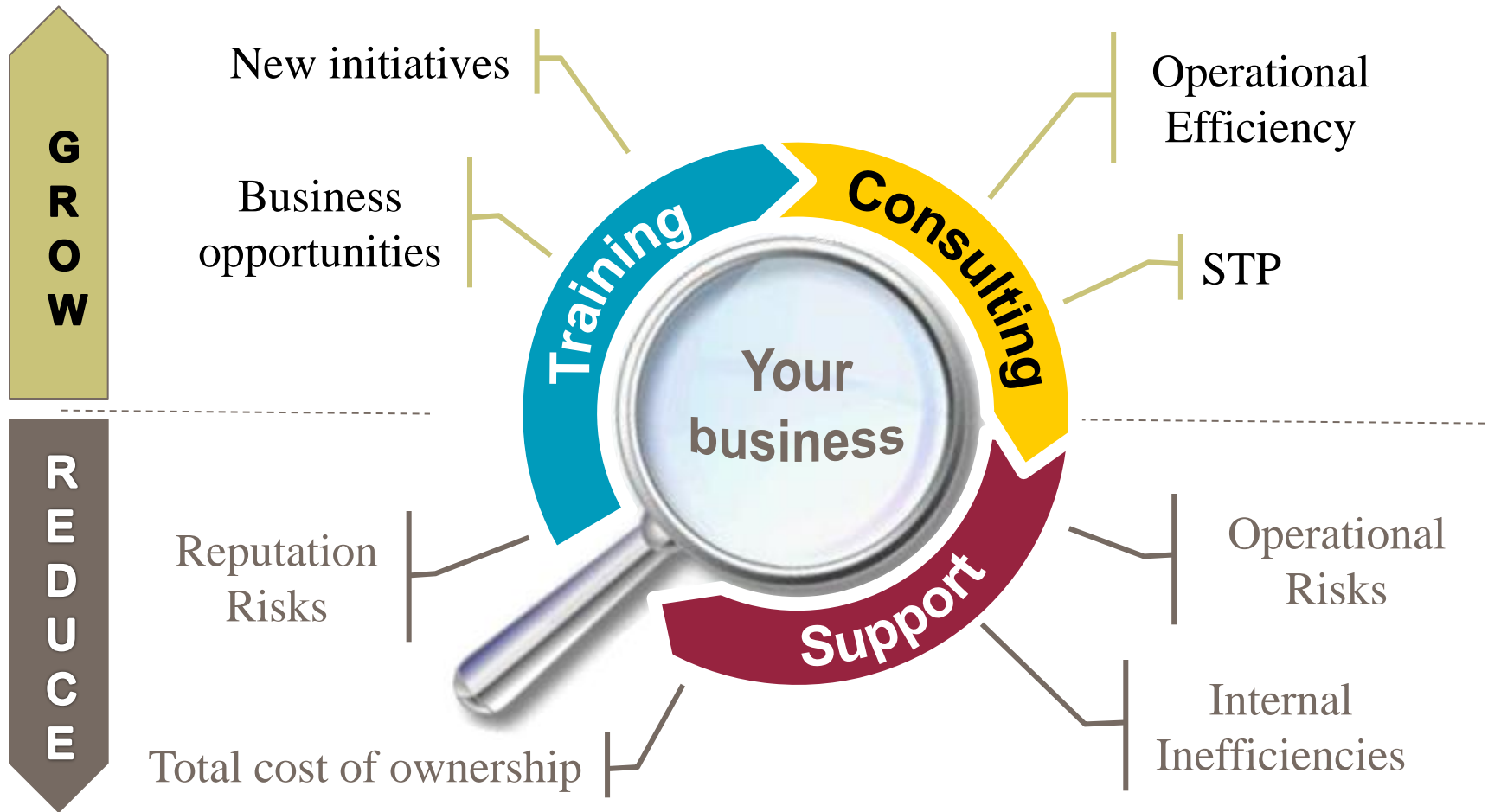
- **Stagnation of Securities volumes in the US and Europe**
- **Significant increase of international cross-border transactions (e.g. intra-Asia, South-to South,..)**

S&R Changing Landscape: Europe-specific



- **Infrastructure consolidation (e.g. ESES markets) or cross-market links (e.g. MILA, ASEAN Trading Link, Link Up Markets)**
- **Target 2 for Securities**
Redesign of the competitive landscape towards less fragmentation and change of the traditional business model roles
- **Implementation of Central Counterparty Clearing services**

SWIFT Services



SWIFT Consulting Services

Deliverables and Benefits

- Support ISO awareness, expertise and facilitate its efficient adoption in an entire securities market
 - Assist with the design of the infrastructure
 - Ensure you have the right level of expertise to maintain and support the new infrastructure, standards and services
 - Help with the implementation at the CSD
 - Help with the implementation by the national securities community
- 
- Reduce your total cost of ownership (**TCO**)
 - Increase operational efficiency and **STP**
 - Reduce **risk**
 - Improve **client service**
 - Identify opportunities for **growth**
 - Alignment with **best practices**
 - **Hands-on knowledge** of designing, implementing and running vs a theoretical approach
 - **Cost-benefit** analysis – rapid ROI
 - Improve **scalability and resilience**

Centralize all of your standards-related information on-line

Content



Contributors

ISO 20022

SWIFT

Market infrastructures

Market practice groups

Financial institutions



Manage your standards processes
with a set of powerful features

Browse



Capture guidelines



Analyse



Publish



Implement



Collaborate



Alliance Lite2

Alliance Lite2 provides a simple, secure, cloud-based SWIFT connection



Alliance Lite2 – Light footprint

1



Standard broadband **Internet connection**

2



Standard **Internet Explorer browser**

3



Standard **Windows PC / laptop**

4



SWIFT security tokens (USB)