

Software brief

SWIFT 2018/19 Cat 7 changes: compliance and next generation digital trade

In 2018 and 2019, SWIFT will activate new messaging standards, delivering the most substantial updates for trade finance since the 1980s. For banks in trade finance, doing nothing is not an option with a big impact on bank-to-bank and bank-to-corporate messages.

Misys is uniquely positioned to support you, both with the mandatory updates and as you look to optimise digital trade finance strategy. As banks consider their options for compliance many see it as a modernisation opportunity to boost straight through processing for documentary trade, deepen relationships and collaboration with corporate clients, and expand product offerings across the full spectrum of trade and supply chain finance.

The impact of SWIFT 2018/19

All banks undertaking trade finance and sending or receiving SWIFT messages will be impacted. This is not just at a system and standards level but also procedurally, especially in the area of amendments to letters of credit and issuing standbys and guarantees.

It is likely that some of the system configurations will also need some changes, in particular for documents.

Failing to make the transition to the new formats, character types and new and replacement messages will result in greater manual processing of messages.

New character sets will trigger validation systems to reject messages. Amendments may not be fully captured meaning you could lose key transaction information. There will be a need for even more manual work to handle fields required around guarantees. These are just a few examples of how a failure to holistically address the changes could lead to greater operational risk, higher costs of doing business and ultimately impact your service level agreements with corporate clients.

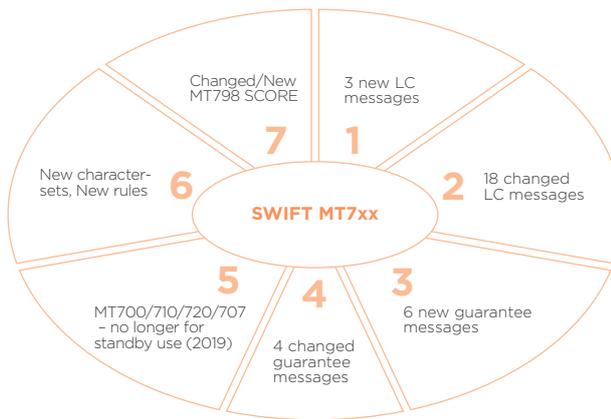
Fig. 1:
The timelines



FIN7xx changes

There will be substantial changes to letters of credit in 2018 and standbys and guarantees in 2019.

Fig. 2:
Scope of changes:
Bank to Bank



Letters of credit changes can be summarised as follows:

- Additional fields to aid payment instructions
- Support for larger messages (extra continuation messages)
- Major changes to amendment handling including:
 - › Support for larger messages (continuation messages)
 - › Cancellation handling
 - › More amendment fields can be advised
- Ability to reject a reimbursement payment request
- From 2019 MT700 and related messages cannot be used for standby letter of credit

Standbys and guarantees face the most significant changes. These can be summarised as follows:

- From 2019, MT700 and related messages can no longer be used for standby letters of credit. The MT760 is to be used instead
- The standby/guarantee issuance and

amendment messages are now highly structured and have up to three sequences to handle the undertaking and optionally the local undertaking

- Support for larger guarantees (continuation messages for issuing and amending)
- The message can include additional files, including those transferred via FileAct
- Ability to send a message to the beneficiary's bank informing of non-extension of the undertaking
- Ability to send a message to the issuer of the undertaking demanding payment
- Ability to send a message to the beneficiary's bank indicating refusal of the demand for payment

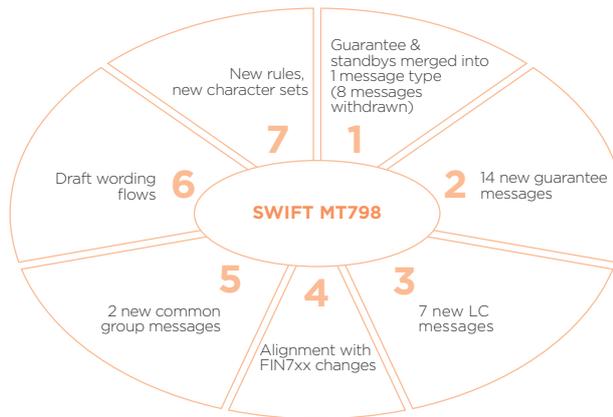
In addition there are some general changes:

- Many narrative fields allow the extended Z character set
- A new general purpose structured message can be used and is favoured over the unstructured MT799.

MT798 changes

The MT798 SCORE message set that is implemented as sub-message types using the general purpose MT798 message is also impacted.

Fig. 3:
Scope of changes:
Corporate to Bank (MT798)



Ease your transition to next generation trade

Address the need for trade automation

The drive to paperless trade, greater automation and open account is being impacted and accelerated by the need to better manage Know Your Customer compliance, understand risks and enable technology and platform integration. With **FusionBanking Trade Innovation** you can address these

dynamics with unique technology partnerships and integrations with best-of-breed KYC and AML (FircoSoft Accuity), supply chain finance (Premium Technology), document management (Hitec) and paperless trade platforms (essDOCS).

Business case analysis and professional services

Working with our ecosystem, Misys has developed a programmatic approach to both implementing new customers and migrating existing FusionBanking Trade Innovation customers onto a platform that will ensure SWIFT compliance. This comprises:

- Complimentary services from Misys Customer Value Teams and our System Advisory Group to help you build your wider business case and understand the ROI of both SWIFT compliance as well as other automation initiatives across the trade finance business.
- The model bank deployment approach (MAPS), which provides a

best practice baseline that can be easily configured to address custom requirements.

- Our Misys Advance accelerated delivery model ensures a low-risk, low-cost upgrade path. Misys Advance leverages market-leading automation tools to help you save time, resources and money.
- Co-located with our R&D teams, the 200-strong Misys Service Delivery Centre ensures a best practice approach to project management within both our dedicated regional professional services teams as well as our partner ecosystem.

Choice: Misys FinCloud as your trade transformation vehicle

Another option for banks is to access the latest pre-packaged version of **FusionBanking Trade Innovation**, delivered as a managed service via our cloud infrastructure. This option can ease transition, and also ensure ongoing compliance for SWIFT and

other industry changes through a managed hosted platform. Maintained by Misys this allows for the changes to be implemented via a subscription service and at a lower capital cost than doing so with a non-Misys trade back office upgrade.

The Misys **Fusion**Banking Trade Innovation advantage

Heritage of managing SWIFT changes across the range of MTs in Trade and payments

Misys' global experience with over 30 years in banking software and close cooperation with our partners at SWIFT means best practice solutions to help clients to navigate the world of standardised messaging and move to digitised trade finance.

The most comprehensive, trade and supply chain finance solution on the market

Automation from the corporate digital channel to the back office is key to success. With the deepest out of the box functionality for LCs, guarantees/standbys and supply chain finance, Misys' **Fusion**Banking Trade Innovation is a proven platform for operational and service excellence in the trade business. A true Java platform with a browser-based user interface (UI) ensures the back office system is available for users anywhere in the bank group. The bank can extend system capabilities using Java IT resources for ongoing support.

Track record with leading trade banks

A global solution with local flexibility enables global processing, customer self-service and a holistic view of

customers, as well as local regulatory and business practice compliance. Workflow control and a standard core supply a configurable platform for operational transformation across international trade finance business. Embedded workflow, combined with service level management, allows service differentiation.

Award winning

Over 230 banks globally benefit from Misys' scalable and flexible solution already. Winning the Celent Model Bank Award for two years in a row and the GTR awards for three years in row demonstrates our market leadership position and wide recognition in the banking industry.

Founders of the World Trade Symposium

The World Trade Symposium is the central point for leaders in the global Trade and Supply Chain ecosystem to connect, collaborate and reimagine the marketplaces of tomorrow. Misys is one of the initiators of this exclusive forum where we invite global and regional leaders in business, finance, technology, politics and economics – to inspire, educate, and foster the future of connected commerce.

Want to know more?

Please contact your account manager for more information about Misys support for SWIFT 2018/19.

If you are interested in learning more about Misys Trade Finance solutions please contact: CorporateBanking@Misys.com

About Misys

We provide the broadest, deepest portfolio of financial services software on the market. Our solutions cover retail and corporate banking, lending, treasury, capital markets, investment management and risk management. With more than 2,000 customers across 125 countries our team of domain experts and partners has an unparalleled ability to address industry requirements at both a global and local level. We deliver market leading solutions by putting customer needs at the centre of everything we do. We offer a unique componentised, open architecture to enable our clients to innovate, connect and expand their existing services and increase value faster. To learn more about how our Fusion software portfolio can deliver a holistic view of your operations, and help you to solve your most complex challenges, please visit www.misys.com and follow @MisysFS on Twitter. For the latest news, interviews, videos and features from the financial technology industry visit www.fusionwire.net.

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