Press Release

New BCBS intraday liquidity reporting tools present data challenges for the banking community

New SWIFT whitepaper suggests banks should act without delay to embrace a pragmatic approach to intraday liquidity management

Brussels, 24 July 2014 – SWIFT announces the availability of a new whitepaper on the challenges of managing intraday liquidity reporting against the backdrop of evolving regulatory requirements. The paper, entitled *Intraday Liquidity Reporting – The case for a pragmatic approach,* focuses on a set of quantitative monitoring tools published by the Basel Committee on Banking Supervision (BCBS) in collaboration with the Committee on Payment and Settlement Systems in April 2013. The monitoring tools mandated by the BCBS require banks to assemble the necessary data to ensure effective monitoring of banks' intraday liquidity risk, and their ability to meet payment and settlement obligations on a timely basis in normal and stressed conditions. The BCBS would like banks to start using the monitoring tools for reporting in January 2015, with full implementation by January 2017. Actual implementation depends upon the regulatory mandate at the national level.

BCBS reporting requirements present a real data challenge to financial institutions. The demands for data on liquidity flows, rather than balance sheets, will require significant changes to banks' existing data models and processes. The BCBS monitoring tools require a retrospective view of aggregated data points using credit/debit confirmations from servicing institutions and Payments Settlement Systems. Based on analysis of SWIFT data, only 20% of total correspondent banking payment instructions on SWIFT are confirmed with a credit/debit confirmation message. The share in value is higher reaching 55% and has increased by 4% over last year.

"To achieve the level of detail required by the retrospective BCBS measures, banks will need to build the intraday position for each of their accounts with real-time credit/debit confirmations, says Catherine Banneux, Senior Market Manager, Banking, at SWIFT. "This is a critical component of the monitoring requirements that will differ according to a bank's size and profile. Progress needs to accelerate in order for banks to be ready for BCBS reporting."

Given the short implementation timeframe and the strain on IT and business resources in many institutions, the SWIFT paper suggests practical ways of supporting banks to better prepare for the BCBS reporting requirements for intraday liquidity.

"Banks need to take a pragmatic approach to the BCBS reporting, says, Wim Raymaekers, Head of Banking and Treasury Markets, at SWIFT. "There is a fair amount of uncertainty about the reporting requirements across jurisdictions. While that is being ironed-out, banks should start preparing by leveraging the infrastructure and data formats they already have in place to feed their central intraday liquidity transaction database."

In order to keep time and costs in check, SWIFT suggests that banks should first assess their current reporting coverage, which will help the banks determine current gaps and the next steps to close them. Data centralisation must be addressed and could be easily managed vis-à-vis a messaging copy mechanism that enables the group liquidity or treasury service to obtain the missing flows. As the reporting will need to be done at both a global and local entity level, data aggregation will require the mapping between the legal entity identifier (LEI) and the bank's related operational codes.

In conclusion, SWIFT suggests that industry practices will inevitably have to change, leading the way towards a more collaborative and standardised approach to address intraday liquidity management challenges. Through industry standards and best practices, the banking community is well placed to collaboratively stimulate cost effective and sustainable business models in support of new requirements around intraday liquidity.

For a copy of the whitepaper, please contact the SWIFT press office.

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