

July 2013



Welcome to the third issue of Velocitates! One of the core tenets of the SWIFT Institute is the dissemination of knowledge and information, and through this quarterly newsletter that is exactly what we will do.

2013 started off in grand style with new research grants being issued and our first conference taking place at the Harvard Kennedy School. The year continues to be an exciting and busy one, with our second conference deemed a roaring success and four more research grants issued.

Earlier this month the SWIFT Institute partnered with SWIFT, the University of California San Diego's 21st Century China Program and Fudan University's Financial Research Center to host the Greater China Conference. With eight industry sponsors, 46 speakers and more than 250 delegates, we had two very full days of interesting panel sessions and conversations that continued throughout the lunches and breaks.

In April we issued Calls for Proposals and were rewarded with a significant number of first rate submissions. We have now issued four new research grants, covering some very topical subjects: gender diversity in the financial industry; cybercrime and the financial industry; the impact of the development of financial market infrastructures (FMIs) on economic growth in developing countries; and transatlantic extraterritoriality and the regulation of derivatives.

There has been great progress on our existing research grants, and in the coming weeks we will be publishing four new working papers. These will be on RMB internationalisation; SME financing; collateral requirements for OTC derivatives; and a common financial language. Two of these studies, RMB internationalisation and common financial language, will be presented at [Sibos](#), the annual financial services event organised by SWIFT.

Throughout the remainder of the year we will be issuing more Calls for Proposals looking for research covering new topics. Planning will also begin for our two conferences to be held in 2014. The first will be on standardisation; the second on cybercrime.

But first, the SWIFT Institute will be at Sibos in Dubai, which is now only seven weeks away. I look forward to seeing many of you there.

Peter Ware

News

Shanghai Conference

The SWIFT Institute partnered with SWIFT, the University of California San Diego's 21st Century China Program and Fudan University's Financial Research Center on the first Greater China Conference, focused on China's emergence in international finance. Taking place over two days in Shanghai on the 10th and 11th of July, this event attracted more than 250 delegates. Some 46 speakers participated in ten panel sessions, made up of the financial industry's top practitioners, leading policy makers and some of the world's most influential academics. They spoke on a wide range of topics all focused on how China is taking its place in the world's economic and financial system.

Hu Shuli, Editor-in-chief of Caixin Media, gave the keynote speech on 10th July. In 2006 Hu was called one of the most powerful commentators in China by the Financial Times, whilst the Wall Street Journal cited her among the "Ten Women to Watch" in Asia. Hu said that China is going through three breakthroughs right now, and the world is watching:

1. Redefine the government-market relationship
2. Ensure the growth of private enterprises in China
3. Strengthen the emerging rule of law

Jonathan Batten, Distinguished Professor of Finance at Monash University, and recipient of one of the first grants issued by the SWIFT Institute, chaired the conference's first panel session on RMB Internationalisation. Darrell Duffie, the Dean Witter Distinguished Professor of Finance at the Graduate School of Business, Stanford University, and member of the SWIFT Institute's Advisory Council, participated in the panel on Banking and Financial Reform in China and its Capital Market Development. He commented that "A clearing house is necessary for any capital market growth. To make China a strong bond market and a good investment choice, they will need to build their infrastructure very carefully. A good infrastructure will invite proliferated trading and open up cash flows to increase the demand for RMB."

Liu Mingkang, Distinguished Fellow of the Fung Global Institute, and Deputy Director (Committee for Economic Affairs) of The Committee of the Chinese People's Political Consultative Conference, gave the keynote speech on 11th July. Liu offered two strategic suggestions to the Chinese business community:

1. **Liquidity Management:** Board of directors, management team and especially C-level executives have the duty to keep the company liquid and mitigate risks for their staff and shareholders. KPIs and FTP will change based on results, and it's all about motivating the staff in a changing environment.
2. **Due Diligence:** Financial institutions should carry out careful due diligence. I urge you all to consider more about ISO 20022 and the SWIFT platform especially with the latest developments at the ICC. Do look into BPO as I believe the letter of credit era is over. Standardisation is also important and collaboration is necessary to better support our real economy and guard against risks.

The overwhelming feedback from delegates was positive, with all the panel sessions deemed to be interesting and informative. The biggest themes that came out of the discussions throughout the two days are probably no surprise: RMB internationalisation; CIPS (China International Payment System); Shanghai as an international financial centre; the need for infrastructure and collaboration; the need

for standardisation and the use of ISO 20022.

It was an extraordinary two days, and so the conference may just return next year. Stay tuned!

For a pictorial summary of the conference, download the [photobook](#).

Sibos in Dubai

Sibos 2013, one of the biggest events on the financial calendar, is to be held in Dubai from 16-19 September. This year brings us the second annual series of the SWIFT Institute Colloquium sessions as well as our featured Big Issue Debate. Following last year's successful forum on OTC derivatives clearing regulations, we are excited to be hosting two new Colloquium sessions in Dubai.

[A Common Financial Language for the Securities Industry](#) is the first Colloquium to be held on Monday, 16 September. A common language is expected to benefit financial markets by improving risk management within and across firms, lowering barriers to entry for new participants and enabling much more effective mapping of the financial world. Alistair Milne, Professor of Financial Economics at the Loughborough University School of Business and Economics, will present his research paper "A Common Financial Language". The study investigates the potential economic, business and regulatory benefits from the development and use of a common financial language in the execution and reporting of wholesale financial market transactions. Find out what the barriers to a common language are and is it considered worth the effort? And hear Dr. Seung Jae Lee, Advisor, Office of Regional Economic Integration at the Asian Development Bank, give his review and commentary on Professor Milne's research.

The second Colloquium, to be held on Thursday, 19 September, will focus on [RMB Internationalisation: Is there a tipping point?](#) Will the Renminbi (RMB) soon be considered a preferred currency for trade settlement and international capital transactions? While recent data seems to point to the withdrawal of China from the international banking markets, the expansion of RMB trade settlement remains on an upward trend.

[Read full article](#)

The emirate of Dubai... Historically built on an oil-based economy, Dubai's main revenues are now derived from tourism, real estate and financial services. Dubai's strategic geographic location has helped establish its importance, as has the creation of its free economic policy, incorporated

Did you
know...



Sibos is celebrating its 35th anniversary this year in Dubai. With its first session being held in Brussels in 1978 (only five years after the creation of SWIFT), Sibos has grown into the premier conference, networking and exhibition event on the financial calendar.

Sibos started out as SWIFT's interbank operations seminar with 300 people in attendance. The event originally comprised of working sessions to define the previously undefined standards for different transactions. Over time Sibos has transformed into a unique platform for members of the financial community to debate, discuss and take collective action. This century's Sibos now typically attracts between 7–8,000 delegates over a four-day period.

Sibos is the only event that covers all sectors of the financial community including the payments, securities, cash management and trade industries. This is the first year that Sibos will be held in the Middle East, having been hosted 21 times in Europe, 7 times in North America and 6 times in Asia Pacific.

as 'Free Zones'.

Free Zones or free ports are designated areas in which companies are subject to light or no taxation in order to encourage economic activity. Free Zones have existed since the eighteenth century, then established by colonial and industrial powers on major trading routes. Gibraltar was the first such free port set up in 1704, followed by Singapore (1819) and Hong Kong (1848). Dubai today has more than 20 trade-specific Free Zones including Dubai Internet City, Dubai Media City and Dubai International Financial Centre (DIFC).

The DIFC is a prime example of how Free Zones work in practice. Subject to independent regulation, common law framework, supportive infrastructure, and tax exemptions, the DIFC hosts the Middle East's international stock exchange, NASDAQ Dubai. NASDAQ Dubai is strategically placed in between the east and west time zones, is the only purely electronic exchange in the region, and is overseen by the Dubai Financial Services Authority - an independent regulator administering to international standards. Dubai's Free Zones are providing modern day solutions to age-old logistical complexities when trading between the east and west.

Hot Topic

The Renminbi Steps Out: Crossing the river by feeling the stones

China is the world's second largest economy constituting approximately 10% of the world's total GDP. Its current account surplus enables China to play an increasingly important role as a global lender, as well as being a major beneficiary of foreign direct investment, yet China remains a largely domestic financial system with only a partial engagement with the rest of the world. This is all set to change as China aspires to transform the renminbi (RMB) into an international currency. What are the challenges China faces upon the internationalisation of the RMB? What tools does China need in place to see this through? Will the government lessen its hold on markets so they can freely perform their roles? What future tests will confront the "Chinese Dream" of re-emergence on the international finance scene?

The SWIFT Institute called on Andrew Sheng, President of the Fung Global Institute, well known in global financial circles as a former central banker, Asian financial regulator and a commentator on global finance, to help examine these questions.

"The Renminbi Goes Out"

Dr Sheng's central message is that China is currently in a time of transition. The Chinese financial system may be large in scale but it is still emerging and is not considered highly sophisticated. Banking still dominates, capital markets are relatively shallow, and the number of institutional investors remains relatively small.

As the "Renminbi goes out" (the Chinese government's official title for the internationalisation of the RMB), the global market - and the domestic intermediaries of the global market - will have to undergo a major learning exercise during this transition phase. As Dr Sheng emphasises, "People tend to forget that the Chinese reforms have only existed throughout the last 30 years. Market tools and practices in America and the European countries have evolved over 200 years, and rule of law over a much longer period of time. With regard to China, nothing can be achieved over night."

Internal tensions exist between central and local governments. Reforming the current direct taxation system into an indirect system incorporating value-added tax, for example, leads to "complications" since the bulk of tax revenue is collected centrally and expenditure made at a local level.



Andrew Sheng

President of the Fung Global Institute

Andrew Sheng is well known in global financial circles as a former central banker and financial regulator in Asia and a commentator on global finance. As the Institute's President, Andrew is responsible for its operations and, with the support and advice of the Academic Council, for driving its research agenda and thought leadership. He is also the Chief Adviser to the China Banking Regulatory Commission and a Board Member of Khazanah Nasional Berhad, Malaysia. In addition, he serves as a member of the International Advisory Council of the China Investment Corporation, the China Development Bank, the Advisory Council on Shanghai as an International Financial Centre and the International Council of the Freie University, Berlin. He is also an Adjunct Professor at the Graduate School of Economics and Management, Tsinghua University, Beijing and the University of Malaya, Kuala Lumpur. In 2009, he became the Pro-Chancellor of Universiti Tun Abdul Razak. Andrew served as Chairman of the Securities and Futures Commission of Hong Kong from 1998 to 2005, having previously been a central banker with the Hong Kong Monetary Authority and Bank Negara Malaysia. He also worked with the World Bank from 1989 to 1993. From 2003 to 2005, he chaired the Technical Committee of the International Organisation of Securities Commissions (IOSCO). In April 2013, Andrew was named by [TIME magazine as one of the 100 most influential people in the world](#).

[Read full topic discussion](#)

Research

Four New Research Grants Issued

In April this year we issued new Calls for Proposals, and were inundated with first rate submissions. It has taken a while, but we have finally completed the review and selected four submissions to receive a grant.

Impact of the Development of FMI's on Economic Growth in Developing Countries

Erik Jones, of the Paul H. Nitze School of Advanced International Studies and the Bologna Institute for Policy Research of the Johns Hopkins University, will address the impact of the development of financial market infrastructures on economic growth in developing countries by devising a theory of optimum financial areas, focusing on the Southern African Development Community (SADC) and the Association of South East Asian Nations (ASEAN).

Cybercrime

Vincent Cheng Siong Lee of the Clayton School of Information Technology, Faculty of IT, Monash University, aims to formulate a predictive cybercrime cost model for the financial industry.

Gender Diversity

Renée Adams of the University of New South Wales and Tom

Did you know...



The name of the SWIFT Institute newsletter, Velocitates, comes from the Latin velocitas meaning swiftness, and in our case the plural, therefore swiftnesses. Velocitates appeared in print in the early 1700s in the world's first scientific journal; The Philosophical Transactions published by the Royal Society of London for Improving Natural Knowledge. The journal's aim was, and continues to be, to inform readers of the latest scientific discoveries. A worthy aim, and a goal the SWIFT Institute will strive to emulate.

Research Underway

Kirchmaier of the Manchester Business School, will offer a global perspective of women in finance through the first cross-country study on the topic of gender diversity on boards of financial firms.

Regulatory Compliance – The Extraterritorial Challenge

Stuart Weinstein, of the University of Hertfordshire School of Law, will ascertain the current state of play with respect to European and US cross-border regulation of derivatives, and attempt to determine if there is a consensus on how to advise companies when dealing with the possibility of extraterritorial application of law that may result in the imposition of inconsistent regulatory outcomes.

Progress on these and all of our current research grants can be tracked on our [web site](#).

We will also soon be announcing more Calls for Proposals covering several new research topics.

RMB Internationalisation
Financial Supply Chain
Management (SMEs)
*Financial Inclusion (Mobile
Money in Ghana) - finished*
Collateral Management
Common Financial
Language
Unit Cost of Financial
Services
Network Liquidity Effects
(two separate studies)
Impact of the Development
of FMI's on Economic
Growth in Developing
Countries
Cybercrime
Gender Diversity
Regulatory Compliance -
Extraterritorial Challenge

For more details visit our web site.

Conferences

Every year we will host two or three conferences where we will bring together academia and the financial industry to engage in dialogue on a specific topic. Some of these conferences will be intimate gatherings by invitation only, whilst others will be much larger in scale for which you can register to attend. Visit the [SWIFT Institute](#) regularly to find out about upcoming events.

Our first event, the Financial Inclusion Research Conference, was held at the Harvard Kennedy School earlier this year. The wrap-up report from that conference is available for download [here](#).

Our second event, China's Emergence in International Finance, was a great success! As mentioned above it was held in Shanghai, China on 10th and 11th July.

In **2014** we plan to host two events each focused on topics impacting the financial industry. In the first half of the year we will look at **standardisation**, whilst in the second half of the year we will look at **cybercrime**. More details will be announced soon. In the meantime, of course, the SWIFT Institute will be at Sibos in Dubai...

Future

- 16/9/2013 - 19/9/2013
- **Sibos 2013**
Dubai World Trade Centre (DWTC), Dubai, United Arab Emirates

What is Sibos?: Sibos is an annual conference, exhibition and networking event organised by SWIFT for the financial industry. What started out as SWIFT's interbank operations seminar, has grown into a premier business forum for the global financial community to debate and collaborate in the areas of payments, securities, cash management and trade.

Why attend?: In just one week, Sibos brings together some 7,000 decision makers and topic experts from financial institutions, market infrastructures, multinational corporations and technology partners. With half a dozen conference tracks, a hundred speakers and as many conference sessions, nearly 200 exhibitors, and plenty of networking events, Sibos is the place

to do business and collectively shape the future of the financial industry.

Agenda: The full Sibos agenda is available [here](#). Specific sessions involving the SWIFT Institute are:

- ***A Common Financial Language for the Securities Industry*** - Monday 16 September, 11:00-12:00, Conference Room 2
- ***RMB Internationalisation: Is there a tipping point?*** - Thursday 19 September, 14:00-15:00, Conference Room 3
- ***Financial Inclusion: Is payments the answer?*** - Tuesday 17 September, 11:00-12:15, Plenary Room

Coming Soon

Here is what you can look forward to from the SWIFT Institute in the months ahead...

- New Calls for Proposals for the next round of research grants - *September / October 2013*
- Report on *China's Emergence in International Finance* conference - *September 2013*
- New working papers published on Collateral Management, RMB Internationalisation, SME Supply Chain and Common Financial Language - *September 2013*
- Sibos Dubai - *September 2013*
- Next issue of *Velocitates* – *December 2013*

[Visit the website](#) to see what else is happening at the SWIFT Institute.

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